

<i>SERFF Tracking Number:</i>	<i>BCBS-125747080</i>	<i>State:</i>	<i>Rhode Island</i>
<i>Filing Company:</i>	<i>Blue Cross & Blue Shield of Rhode Island</i>	<i>State Tracking Number:</i>	
<i>Company Tracking Number:</i>	<i>PL65NG02012009</i>		
<i>TOI:</i>	<i>MS05I Individual Medicare Supplement -</i>	<i>Sub-TOI:</i>	<i>MS05I.003 Plan C</i>
	<i>Standard Plans</i>		
<i>Product Name:</i>	<i>Plan 65 Non-Group Rate Filing Effective 2/1/2009</i>		
<i>Project Name/Number:</i>	<i>Plan 65 Non-Group Rate Filing Effective 2/1/2009/PL65NG02012009</i>		

Filing at a Glance

Company: Blue Cross & Blue Shield of Rhode Island

Product Name: Plan 65 Non-Group Rate Filing SERFF Tr Num: BCBS-125747080 State: Rhode IslandLAH
Effective 2/1/2009

TOI: MS05I Individual Medicare Supplement - SERFF Status: Assigned State Tr Num:
Standard Plans

Sub-TOI: MS05I.003 Plan C Co Tr Num: PL65NG02012009 State Status: Open-Pending
Actuary Review

Filing Type: Rate Co Status: Reviewer(s): Adrienne Evans,
Sandra West

Authors: Jessie McHugh, Sean

Neylon

Date Submitted: 08/15/2008

Disposition Date:

Disposition Status:

Implementation Date Requested: 02/01/2009

Implementation Date:

State Filing Description:

Pipelined to John Cogand and Charlie DeWeese 8-20-08...Payment received 150.00 EFT slw

General Information

Project Name: Plan 65 Non-Group Rate Filing Effective 2/1/2009

Project Number: PL65NG02012009

Requested Filing Mode: Review & Approval

Explanation for Combination/Other:

Submission Type: New Submission

Overall Rate Impact: 9.41%

Filing Status Changed: 08/18/2008

State Status Changed: 08/20/2008

Corresponding Filing Tracking Number: PL65NG02012009

Filing Description:

Status of Filing in Domicile:

Date Approved in Domicile:

Domicile Status Comments: This filing is in the
state of its domicile.

Market Type: Individual

Group Market Size:

Group Market Type:

Deemer Date:

SERFF Tracking Number: BCBS-125747080 State: Rhode Island
 Filing Company: Blue Cross & Blue Shield of Rhode Island State Tracking Number:
 Company Tracking Number: PL65NG02012009
 TOI: MS051 Individual Medicare Supplement - Sub-TOI: MS051.003 Plan C
 Standard Plans
 Product Name: Plan 65 Non-Group Rate Filing Effective 2/1/2009
 Project Name/Number: Plan 65 Non-Group Rate Filing Effective 2/1/2009/PL65NG02012009

Plan 65 Non-Group Rate Filing Effective for February 1, 2009, March 1, 2009, and April 1, 2009 Renewals.

Company and Contact

Filing Contact Information

Scott Lucarelli, Team Leader, Individual/Senior scott.lucarelli@bcbsri.org

Market

444 Westminster Street (401) 459-5429 [Phone]
 Providence, RI 02903 (401) 459-5405[FAX]

Filing Company Information

Blue Cross & Blue Shield of Rhode Island	CoCode: 53473	State of Domicile: Rhode Island
444 Westminster Street	Group Code:	Company Type: Health Insurance
Providence, RI 02903	Group Name:	State ID Number:
(401) 459-1000 ext. [Phone]	FEIN Number: 05-0158952	

Filing Fees

Fee Required?	Yes
Fee Amount:	\$150.00
Retaliatory?	No
Fee Explanation:	\$25.00 Plan 65 A (08-08), \$25.00 Plan 65 B (08-08), \$25.00 Plan 65 C (08-08), \$25.00 Plan 65 SELECT B (08-08), \$25.00 Plan 65 SELECT C (08-08), \$25.00 Plan 65 SELECT L (08-08)

Per Company: Yes

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Blue Cross & Blue Shield of Rhode Island	\$150.00	08/15/2008	21965624

<i>SERFF Tracking Number:</i>	<i>BCBS-125747080</i>	<i>State:</i>	<i>Rhode Island</i>
<i>Filing Company:</i>	<i>Blue Cross & Blue Shield of Rhode Island</i>	<i>State Tracking Number:</i>	
<i>Company Tracking Number:</i>	<i>PL65NG02012009</i>		
<i>TOI:</i>	<i>MS051 Individual Medicare Supplement -</i>	<i>Sub-TOI:</i>	<i>MS051.003 Plan C</i>
	<i>Standard Plans</i>		
<i>Product Name:</i>	<i>Plan 65 Non-Group Rate Filing Effective 2/1/2009</i>		
<i>Project Name/Number:</i>	<i>Plan 65 Non-Group Rate Filing Effective 2/1/2009/PL65NG02012009</i>		

Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: BCBS-125747080 State: Rhode Island

Filing Company: Blue Cross & Blue Shield of Rhode Island State Tracking Number:

Company Tracking Number: PL65NG02012009

TOI: MS051 Individual Medicare Supplement - Sub-TOI: MS051.003 Plan C
Standard Plans

Product Name: Plan 65 Non-Group Rate Filing Effective 2/1/2009

Project Name/Number: Plan 65 Non-Group Rate Filing Effective 2/1/2009/PL65NG02012009

Rate/Rule Schedule

Review Status:	Document Name:	Affected Form Numbers: (Separated with commas)	Rate Action:	Rate Action Information:	Attachments
	Plan 65 Non-group Filing Letter Effective 2/1/2009	Plan 65 A (08-08), Plan 65 B (08-08), Plan 65 C (08-08), Plan 65 SELECT B (08-08), Plan 65 SELECT C (08-08), Plan 65 SELECT L (08-08)	Revised		Filing Letter Eff 2-1-09.pdf
	Plan 65 Non-group Filing Spreadsheets Rates Effective 2/1/2009	Plan 65 A (08-08), Plan 65 B (08-08), Plan 65 C (08-08), Plan 65 SELECT B (08-08), Plan 65 SELECT C (08-08), Plan 65 SELECT L (08-08)	Revised		2009 Filing Spreadsheets.pdf
	Plan 65 Non-group Actuarial Summary 2/1/2009		Revised		2009 Plan 65 Actuarial Summary.pdf

SERFF Tracking Number:	BCBS-125747080	State:	Rhode Island
Filing Company:	Blue Cross & Blue Shield of Rhode Island	State Tracking Number:	
Company Tracking Number:	PL65NG02012009		
TOI:	MS05I Individual Medicare Supplement - Standard Plans	Sub-TOI:	MS05I.003 Plan C
Product Name:	Plan 65 Non-Group Rate Filing Effective 2/1/2009		
Project Name/Number:	Plan 65 Non-Group Rate Filing Effective 2/1/2009/PL65NG02012009		

Plan 65 Non-group
Trend and Comparison
Supplement 2/1/2009

Revised

Plan 65 Non-
Group Trend and
Comparison
2009.pdf

Plan 65 Budget Explanations

Revised

Explanations
2009 budget.pdf

Plan 65 Expense Comparisons 2008 - 2010

Revised

Plan65 2008 -
2010 expense
comparisons.pdf

August 15, 2008

Commissioner Christopher F. Koller
Office of Health Insurance Commissioner
1511 Pontiac Avenue, Bldg. 69-1
Cranston, RI 02920

Subject: Filing of Non-Group Subscription Rates for Plan 65 Medigap Plans A, B, and C
and Plan 65 Select Plans B, C and L

Dear Commissioner Koller:

This letter and the enclosed documents comprise a filing by Blue Cross & Blue Shield of Rhode Island ("BCBSRI") of new non-group subscription rates for the Corporation's Plan 65 Medigap and Select Plans. The enclosed documents include detailed actuarial schedules, a summary of the actuarial steps and assumptions, and information pertaining to the budget utilized for this Plan 65 filing. These new rates have been calculated to be applicable to billing cycle rate years commencing February 1, 2009, March 1, 2009 and April 1, 2009. The Office of the Health Commissioner approved the current Plan 65 Medigap and Plan 65 Select rates on October 15, 2007 for billing cycle rate years commencing February 1, 2008, March 1, 2008, and April 1, 2008. As of June 30, 2008, there were approximately 19,100 subscribers enrolled in these non-group plans.

Plan 65 Medicare Supplemental Programs

Medicare supplemental programs (Plan 65 Medigap and Plan 65 Select) for non-group subscribers under the Plan 65 class of business are made available by BCBSRI in accordance with the Department of Business Regulation adopted Regulation 46, as amended and adopted by the Office of Health Insurance Commissioner via Office of Health Insurance Commissioner Regulation 1.

As defined in Regulation 46, non-group Medicare supplemental programs (Medigap and Medigap Select) are designed to supplement or fill specific gaps in Medicare benefits. Benefits available through BCBSRI as part of the standardized Medicare supplement offerings are as follows:

- *Part A Deductible:* Includes coverage of the Medicare hospital deductible per inpatient hospital stay.
- *Part A Copayment:* Includes coverage for the Medicare hospital co-payments for the 61st through 90th days of an inpatient hospital stay and the additional 60 Medicare non-renewable lifetime reserve days.

- *365 Additional Days*: Includes 100% coverage of Medicare-allowed charges after Medicare benefits are exhausted for an additional 365 days.
- *Skilled Nursing Facility Copayment*: Includes coverage of the Medicare co-payment for an inpatient stay of 21 through 100 days at a Medicare-approved skilled nursing facility after a minimum of three days in a hospital and within 30 days of leaving the hospital.
- *Part B Deductible*: Includes coverage of the annual Medicare Part B deductible.
- *Part B Copayment*: Includes coverage for the 20% coinsurance of Medicare-allowed charges.
- *Foreign Travel Emergency*: Includes coverage for 80% of Medicare-allowed charges after a \$250 annual deductible up to a lifetime maximum of \$50,000.

The following table illustrates the benefits available under each Plan 65 non-group product offered by BCBSRI, consistent with the standardized Medicare supplement offerings set forth by the Centers for Medicare and Medicaid Services (CMS) and in Regulation 46.

Benefit Offerings	Plan A Benefits	Plan B Benefits	Plan C Benefits	Plan L Benefits
Part A Deductible		X	X	75%
Part A Copayment	X	X	X	X
365 Additional Days	X	X	X	X
Skilled Nursing Facility Copayment			X	75%
Part B Deductible			X	
Part B Copayment	X	X	X	75%
Foreign Travel Emergency			X	

In an attempt to simplify BCBSRI's product portfolio for the Medicare eligible population, BCBSRI decided to limit the number of plans available to subscribers. Effective April 1, 2001, Medigap Plan B and Select Plan B are no longer available to new enrollees. In accordance with the Balanced Budget Act of 1997 (BBA 1997), both plans continue to be available to those subscribers enrolled in these plans as of April 2001. Both Medigap Plan B and Select Plan B have minimal enrollment.

Required Increases

As in prior filings for benefit plans supplementing the Medicare program, the required subscription rate increases are reflective of projected higher benefit costs primarily arising from factors beyond the control of BCBSRI. These factors include annual increases established by law in the Part A and Part B deductible and coinsurance amounts, and a continued overall increase in the use of benefits by subscribers. These factors are identified fully in the actuarial schedules accompanying this filing and are utilized in the calculation of the projected claims expense.

As a result of the items mentioned above and the impact that they have on the overall rate increase, the overall required rate increase effective February 1, 2009 is 9.41%. This reflects 12.89% for Medigap Plan A and 8.50% for Medigap Plans B and C. Plan 65 Select Plan B has a required rate increase of 13.29%, Plan 65 Select Plan C has a required rate increase of 11.91%, and Plan 65 Select L has a required rate increase of 10.53%.

Plan 65 Medigap

The table below displays the present and required rates for Plan 65 Medigap Plan A, Plan B and Plan C subscribers.

BCBSRI discontinued the use of point-of-entry rating for Medigap Plan A and Plan C for all new subscribers enrolling on or after November 1, 1998. Any subscriber who had a “Discount” point-of-entry rate as of November 1, 1998 will continue to do so since this rating structure was intended to be in effect for the lifetime of the subscriber. In the interest of administrative simplicity, effective February 1, 2008, members paying the “Surcharge” point-of-entry rate were given the base rate. The discount, base and surcharge factors utilized in the point-of-entry rating methodology are the factors previously approved by the Office.

Plan 65 Medigap Monthly Rates			
	Present Rate	Required Rate	Percentage Increase
Plan A			
Discount ⁽¹⁾	\$107.94	\$121.85	12.89%
Base ⁽²⁾	\$119.93	\$135.39	12.89%
Year 1 Age-in Rate ⁽³⁾	\$83.95	\$94.77	12.89%
Year 2 Age-in Rate ⁽³⁾	\$95.94	\$108.31	12.89%
Year 3 Age-in Rate ⁽³⁾	N/A	\$121.85	N/A
Plan B	\$116.03	\$125.89	8.50%
Plan C			
Discount ⁽¹⁾	\$171.55	\$186.13	8.50%
Base ⁽²⁾	\$190.61	\$206.81	8.50%
Year 1 Age-in Rate ⁽³⁾	\$133.43	\$144.77	8.50%
Year 2 Age-in Rate ⁽³⁾	\$152.49	\$165.45	8.50%
Year 3 Age-in Rate ⁽³⁾	N/A	\$186.13	N/A

- (1) Discount rates are applicable to subscribers who enrolled prior to November 1, 1998 and within six months of first eligibility for Medicare Part B as primary payer.
- (2) Base rates are applicable to those subscribers who enrolled prior to November 1, 1998 and after six months of first eligibility for Medicare Part B as primary payer and all new subscribers not eligible for the age-in rates. Applicants are required to complete a health screening prior to enrolling unless he/she enrolls in Plan A.
- (3) Age-in rate applicable to new Plan 65 Medigap subscribers who enroll within six months of becoming eligible for Medicare Part B as primary payer. First year age-in rate is 70% of the base rate. Second year age-in rate is 80% of the base rate. Third year age-in rate is 90% of the base rate. After the third year, the subscriber pays the Base rate.

Schedules 5, 13 through 17, and 19 through 30 detail the projection of required income and the corresponding rate calculations for the Plan 65 Medigap program.

Plan 65 Select

Plan 65 Select is a Medicare supplemental product offered to subscribers at reduced premiums from BCBSRI's traditional Medigap plans. The savings are attributable to network hospitals contracting not to seek compensation from either BCBSRI or the subscriber for inpatient hospital deductibles and co-payments. Full Medigap benefits are paid when subscribers utilize network providers. The coverage of the Part A Deductible and Coinsurance amounts for out-of-network care typically is not covered; however, when emergency care is required, when services are not available within the network, or when it is not reasonable to obtain services through a network provider, these non-network Medigap benefits are paid in full.

The following table displays the present and required rates for Plan 65 Select Plan B, Select Plan C, and Select Plan L subscribers.

[Continues on next page]

Plan 65 Select Monthly Rates			
	Present Rate	Required Rate	Percentage Increase
Select Plan B			
Discount Rate ⁽¹⁾	\$98.03	\$111.06	13.29%
Standard Rate ⁽²⁾	\$119.17	\$135.01	13.29%
Select Plan C			
Discount Rate ⁽¹⁾	\$122.45	\$137.03	11.91%
Standard Rate ⁽²⁾	\$166.88	\$186.76	11.91%
Year 1 Age-in Rate ⁽³⁾	\$85.72	\$95.92	11.91%
Year 2 Age-in Rate ⁽³⁾	\$97.96	\$109.62	11.91%
Year 3 Age-in Rate ⁽³⁾	N/A	\$123.33	N/A
Select Plan L			
Standard Rate	\$100.47	\$111.05	10.53%
Year 1 Age-in Rate ⁽³⁾	\$70.33	\$77.74	10.53%
Year 2 Age-in Rate ⁽³⁾	\$80.38	\$88.84	10.53%
Year 3 Age-in Rate ⁽³⁾	N/A	\$99.95	N/A

- (1) The “Discount” rate is applicable to subscribers who enroll after 6 months of first eligibility for Medicare Part B as primary payer and after successfully completing a health screening.
- (2) In order not to preclude existing Medigap subscribers from the opportunity of enrolling in Plan 65 Select at its inception, limited-time offerings of Select were extended to existing subscribers. Although existing subscribers were not required to complete a health screening, if a subscriber opted to complete a health screening and successfully passed, he/she was eligible for the “Discount” rate. If a subscriber did not pass the health screening, or opted not to complete the health screening, he/she was eligible for the “Standard” rate, which had not been favorably adjusted for age or morbidity. After this initial offering at the inception of Plan 65 Select, the “Standard” rating band was closed to new enrollment. Beginning February 1, 2007, BCBSRI allows subscribers that have been enrolled in a BCBSRI Medigap plan for 12 months or more to enroll in Select Plan C at the “Standard” rate without completing or successfully passing a health screening.
- (3) Age-in rate applicable to new Plan 65 Select subscribers who enroll within six months of becoming eligible for Medicare Part B as primary payer. First year age-in rate is 70% of the Select Plan C discount rate and Select Plan L Standard Rate. Second year age-in rate is 80% of the Select Plan C discount rate and Select Plan L Standard Rate. Third year age-in rate is 90% of the Select Plan C discount rate and Select Plan L Standard Rate. After the third year, the subscriber pays the Discount rate and Standard rate for Plan 65 Select C and Plan 65 Select L, respectively.

Schedules 4, 7 through 11, and 19 through 30 detail the projection of required income and the corresponding rate calculations for the Plan 65 Select program.

Enrollment

Total non-group Plan 65 enrollment has continued to decline over the past several years. However, since 2007, enrollment losses for Plan 65 Medigap have been partially offset by enrollment gains for Plan 65 Select. The following table illustrates historical non-group Plan 65 enrollment segregated by Plan 65 Medigap and Plan 65 Select:

Non-Group Plan 65 Enrollment (Rounded to Nearest Hundred)			
	Plan 65 Medigap	Plan 65 Select	Total Non-Group
12/2002	19,400	5,700	25,100
12/2003	18,000	5,700	23,700
12/2004	16,600	5,600	22,200
12/2005	15,300	5,500	20,700
12/2006	14,100	5,600	19,700
12/2007	13,200	6,000	19,200
6/2008	12,800	6,300	19,100

Expected Loss Ratios

The minimum loss ratio standard of 65% set forth in Regulation 46, as amended, applicable to non-group Medigap coverage, including Medicare Select plans, would be met based on the claims projections and required rates contained in this filing. The projected return to subscribers in the form of aggregate benefits as a percentage of earned premiums for the entire period for which the new rates are computed is displayed in the following table:

Expected Loss Ratios				
	Plan A	Plan B	Plan C	Plan L
Plan 65 Medigap	80.8%	106.8%	86.1%	--
Plan 65 Select	--	78.9%	82.6%	77.3%

Actuarial Schedules and Summary

Enclosed with this filing is a summary of the Actuarial assumptions and steps, as well as detailed rate calculation schedules. The summary speaks to each of the major areas of the rate calculation process and refers back to which schedules correspond to it. The detailed schedules mirror what have been submitted to the Office for previous filings.

Part B Physician Fee Increases

The physician fee increases in this rate filing are based on the actual and projected increases in the Part B physician conversion factor. The 0.5% increase in physician payments for January 1, 2008 through June 30, 2008 was maintained through the remainder of calendar year 2008, per the Medicare Improvement for Patients and Providers Act of 2008, passed by a veto-override in the House of Representatives and Senate on July 15, 2008. This law also provides for a 1.1% increase in physician payments effective January 1, 2009. The physician fee increase for January 1, 2010 is estimated to be 1.1%.

Actuarial Certification

The actuarial assumptions utilized in this rate filing have been developed under my guidance. As a member of the American Academy of Actuaries, I confirm that this filing was prepared using generally accepted actuarial principles that were consistently applied. Schedules 3 through 31 reflect fair, accurate, and reasonable computations of required rates for the BCBSRI Plan 65 Medigap products, Plans A, B, and C, and the BCBSRI Plan 65 Select Products, Plans B, C, and L.

Administrative Expense Information

Also enclosed is a Plan 65 Budget Narrative and comparison exhibits. These documents speak to the allocated expenses for Plan 65.

Addressing Affordability

As mandated by the Plan 65 Non-Group Rate Order and Decision by the OHIC on December 14, 2006, we submitted the 2008 Annual Affordability Report on July 15, 2008. In accordance with your guidance, since this filing is being submitted within 30 days of a report, we have not included an update at this time. However, we have included with this filing a copy of the Trend and Comparison Supplement applicable to this Plan 65 Non-Group rate filing.

In addition, with the Plan 65 rate filing effective February 1, 2007, we introduced the Age-in Credit Program and Select Plan L product, as well as changes to enrollment eligibility guidelines for certain products to help address affordability. An update of these programs is included in the Actuarial Summary enclosed with this filing.

Filing fee

In compliance with the filing fee requirements contained in Section 42-14-18 of the General Laws of Rhode Island, an electronic funds transfer (EFT) in the amount of \$150.00 payable to "General Treasurer, State of Rhode Island" has been initiated for this submission. Medigap and Select policy forms have been submitted under separate cover. The Plan 65 Medigap policy form numbers pertaining to this filing are Plan 65 A (08-08), Plan 65 B (08-08), and Plan 65 C (08-08). The Plan 65 Select policy form numbers pertaining to this filing are Plan 65 SELECT B (08-08), Plan 65 SELECT C (08-08), and Plan 65 SELECT L (08-08).

We respectfully ask for your timely approval of this filing as submitted. BCBSRI believes that the required rates are in the interest of both the public and the Corporation.

As always, we shall be pleased to provide any additional information that you, your staff, and/or the consulting actuary may require.

Sincerely,

A handwritten signature in black ink, appearing to read "John Lynch", is written over a horizontal line.

John Lynch
Chief Actuary

JL/swl

Enclosures

cc: Mr. John A. Cogan Jr., Esquire
Mr. Charles C. DeWeese, F.S.A., M.A.A.A.
Mr. James E. Purcell
Mr. Normand G. Benoit, Esquire
Ms. Monica Neronha, Esquire
Mr. James Joy
Mr. Raymond G. Brown
Mr. Jeffrey McLane, F.S.A., M.A.A.A

Schedule 1

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
NON-GROUP PLAN 65

TABLE OF CONTENTS FOR SCHEDULES DISPLAYING AND SUPPORTING
CALCULATIONS OF REQUIRED MONTHLY SUBSCRIPTION RATES FOR
FEBRUARY 1, 2009, MARCH 1, 2009 AND APRIL 1, 2009 BILLING CYCLES

Schedule

Section: Plan 65 Medigap and Plan 65 Select Required Monthly Subscription Rates	3
Calculation of Plan B, Plan C, and Plan L Required Monthly Subscription Rates for February 1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles: Plan 65 Select	4
Calculation of Plan A and Plan C Point of Entry and Plan B Required Monthly Subscription Rates for February 1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles: Plan 65 Medigap	5
Section: Plan 65 Select: Calculation of Required Rate Adjustment Factors for Plan B, Plan C, and Plan L	6
Calculation of Required Plan B, Plan C, and Plan L Rate Adjustment Factors for February 1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles: Plan 65 Select	7
Calculation of Projected Incurred Claims Expense Per Contract Month and Administrative Expense Per Contract Month for February 1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles: Plan 65 Select..	8
Projection of January through December 2010 Incurred Claims Expense per Contract Month for Plan B, Plan C, and Plan L: Plan 65 Select	9
Projection of January through December 2009 Incurred Claims Expense per Contract Month for Plan B, Plan C, and Plan L: Plan 65 Select	10
Projection of January through December 2008 Incurred Claims Expense per Contract Month for Plan B and Plan C: Plan 65 Select	11
Section: Plan 65 Medigap: Calculation of Required Rate Adjustment Factors for Plan A and Plan C.....	12
Calculation of Required Plan A and Plan C Rate Adjustment Factors for February 1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles: Plan 65 Medigap	13
Calculation of Projected Incurred Claims Expense per Contract Month and Administrative Expense per Contract Month for February 1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles: Plan 65 Medigap	14
Projection of January through December 2010 Incurred Claims Expense per Contract Month for Plan A and Plan C: Plan 65 Medigap.....	15
Projection of January through December 2009 Incurred Claims Expense per Contract Month for Plan A and Plan C: Plan 65 Medigap.....	16

Schedule 2

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
NON-GROUP PLAN 65

TABLE OF CONTENTS FOR SCHEDULES DISPLAYING AND SUPPORTING
CALCULATIONS OF REQUIRED MONTHLY SUBSCRIPTION RATES FOR
FEBRUARY 1, 2009, MARCH 1, 2009 AND APRIL 1, 2009 BILLING CYCLES

Schedule

Projection of January through December 2008 Incurred Claims Expense per Contract Month for Plan A and Plan C: Plan 65 Medigap.....	17
Section: Plan 65 Medigap and Plan 65 Select Supporting Calculations	18
Calculation of Income at Present Rates at April 2008: Plan 65 Medigap and Plan 65 Select	19
Calculation of Part B Weighted Provider Fee Change Factors Effective January 1, 2008, January 1, 2009, and January 1, 2010: Plan 65 Medigap and Plan 65 Select	20
Calculation of Institutional Services Component of Part B Copayment Provider Fee Changes Effective January 1, 2008, January 1, 2009, and January 1, 2010: Plan 65 Medigap and Plan 65 Select	21
Calculation of Part B Physician Conversion Factor Change Effective January 1, 2008, January 1, 2009, and January 1, 2010: Plan 65 Medigap and Plan 65 Select	22
Part A Deductible: Historical Pure Premium Values and Projected Utilization Trend: Plan 65 Medigap and Plan 65 Select.....	23
Part A 61 st – 90 th Day and Lifetime Reserve Copayments: Historical Pure Premium Values and Projected Utilization/Mix Trend: Plan 65 Medigap and Plan 65 Select	24
Skilled Nursing Facility Copayment: Historical Pure Premium Values and Projected Utilization Trend: Plan 65 Medigap and Plan 65 Select.....	25
Part B Deductible: Historical Pure Premium Values and Projected Utilization/Mix Trend: Plan 65 Medigap and Plan 65 Select.....	26
Part B Copayment: Historical Pure Premium Values and Projected Utilization/Mix Trend: Plan 65 Medigap and Plan 65 Select.....	27
Foreign Travel Emergency: Historical Pure Premium Values and Projected Pure Premium Trend: Plan 65 Medigap and Plan 65 Select.....	28
Point Values Utilized in Development of Utilization/Mix Trends: Plan 65 Medigap and Plan 65 Select .	29
Projection of Calendar Year 2009 and Calendar Year 2010 Administrative Expense per Contract Month: Total Plan 65	30
Reconciliation of Calendar Year 2007 Claims Expense to Annual Statement: Total Plan 65.....	31

Schedule 3

**Plan 65 Medigap and Plan 65 Select
Required Monthly Subscription Rates**

Schedule 4

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PLAN B, PLAN C, AND PLAN L
REQUIRED MONTHLY SUBSCRIPTION RATES
FOR FEBRUARY 1, 2009, MARCH 1, 2009, AND APRIL 1, 2009 BILLING CYCLES
PLAN 65 SELECT

	(1)	(2)	(3)
	Present Monthly Subscription Rate (G)	Required Rate Adjustment Factor (H)	Required Monthly Subscription Rate per Contract Month
Plan 65 Select Plan B			
Discount Rate (A)	\$98.03	1.1329	\$111.06 (I)
Standard Rate (B)	\$119.17	1.1329	\$135.01 (I)
Plan 65 Select Plan C			
Discount Rate (C)	\$122.45	1.1191	\$137.03 (I)
Standard Rate (D)	\$166.88	1.1191	\$186.76 (I)
Age in Rate (Year 1) (E)	\$85.72		\$95.92
Age in Rate (Year 2) (E)	\$97.96		\$109.62
Age in Rate (Year 3) (E)	-		\$123.33
Plan 65 Select Plan L			
Standard Rate (F)	\$100.47	1.1053	\$111.05 (I)
Age in Rate (Year 1) (E)	\$70.33		\$77.74
Age in Rate (Year 2) (E)	\$80.38		\$88.84
Age in Rate (Year 3) (E)	-		\$99.95

(A) Applicable for subscribers who enrolled during the first six months of eligibility for Medicare Part B as primary payer or after successfully completing a health screening. Select Plan B is currently closed to new enrollment.

(B) Applicable for subscribers who switched from a Medigap plan to a Select plan during the limited-time offering at the inception of the Plan 65 Select product line and either did not pass the health screening or opted not to complete the health screening. Select Plan B is currently closed to new enrollment.

(C) Applicable for new subscribers who enroll after the first six months of eligibility for Medicare Part B as primary payer and after successfully completing a health screening.

(D) Applicable for subscribers who switched from a Medigap plan to a Select plan during the limited-time offering at the inception of the Plan 65 Select product line. Effective February 1, 2007, applicable to Plan 65 subscribers switching from an existing Medigap plan who either do not pass the health screening or opt not to complete the health screening and have been continuously enrolled for 12 months or more.

(E) Age-in rate available to new subscribers that enroll within the first six months of eligibility for Medicare Part B as primary payer. The first year age-in rate is 70% of the Discount Rate for Select C and 70% of the Standard rate for Select L. The second year age-in rate is 80% of the Discount Rate for Select C and 80% of the Standard rate for Select L. The third year age-in rate is 90% of the Discount Rate for Select C and 90% of the Standard rate for Select L. After the third year, the subscriber pays the Discount Rate for Select C and the Standard Rate for Select L.

(F) Applicable for subscribers who enroll into Select L after the first six months of eligibility for Medicare Part B as primary payer.

(G) Present monthly subscription rates effective February 1, 2008.

(H) Per Schedule 7, Column 9.

(I) Column 1 times Column 2.

Schedule 5

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PLAN A AND PLAN C POINT OF ENTRY
AND PLAN B REQUIRED MONTHLY SUBSCRIPTION RATES
FOR FEBRUARY 1, 2009, MARCH 1, 2009, AND APRIL 1, 2009 BILLING CYCLES
PLAN 65 MEDIGAP

	(1)	(2)	(3)
	Present Monthly Subscription Rate (E)	Required Rate Adjustment Factor	Required Monthly Subscription Rate per Contract Month
Plan 65 Medigap Plan A			
Discount Rate (A)	\$107.94		\$121.85 (H)
Base Rate (B)	\$119.93	1.1289 (F)	\$135.39 (I)
Age in Rate (Year 1) (C)	\$83.95		\$94.77
Age in Rate (Year 2) (C)	\$95.94		\$108.31
Age in Rate (Year 3) (C)	-		\$121.85
Plan 65 Medigap Plan B			
Base Rate (D)	\$116.03	1.0850 (G)	\$125.89 (I)
Plan 65 Medigap Plan C			
Discount Rate (A)	\$171.55		\$186.13 (H)
Base Rate (B)	\$190.61	1.0850 (F)	\$206.81 (I)
Age in Rate (Year 1) (C)	\$133.43		\$144.77
Age in Rate (Year 2) (C)	\$152.49		\$165.45
Age in Rate (Year 3) (C)	-		\$186.13

(A) Discount Rate is applicable to subscribers who enrolled prior to November 1, 1998 and within six months of first eligibility for Medicare Part B as primary payer.

(B) Base Rate is applicable to those subscribers who enroll after six months of first eligibility for Medicare Part B as primary payer. Applicants are required to complete a health screening prior to enrolling unless he/she enrolls in Plan A.

(C) Age-in rate available to new subscribers that enroll within the first six months of eligibility for Medicare Part B as primary payer. The first year age-in rate is 70% of the Base Rate, the second year age-in rate is 80% of the Base Rate, and the third year age-in rate is 90% of the Base Rate. After the third year, the subscriber pays the Base Rate.

(D) Medigap Plan B is currently closed to new enrollment.

(E) Present monthly subscription rates effective February 1, 2008.

(F) Per Schedule 13, Column 9.

(G) Required rate adjustment factor for Medigap Plan C assumed for Medigap Plan B.

(H) Plan 65 Medigap base rate times 0.90 discount factor approved July 15, 1992 by the Department of Business Regulation.

(I) Column 1 times Column 2.

Schedule 6

**Plan 65 Select: Calculation of Required
Rate Adjustment Factors
For Plan B, Plan C, and Plan L**

Schedule 7

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF REQUIRED PLAN B, PLAN C, AND PLAN L RATE ADJUSTMENT FACTORS
FOR FEBRUARY 1, 2009, MARCH 1, 2009, AND APRIL 1, 2009 BILLING CYCLES
PLAN 65 SELECT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Projected Weighted Average per Contract Month Values in Aggregate For February 1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles For Rate Years Commencing February 1, 2009, March 1, 2009, and April 1, 2009, Respectively								
	Incurred Claims <u>Expense</u>	Administrative <u>Expense</u> (D)	Total Incurred Claims and Administrative <u>Expense</u> (E)	System Replacement <u>Expenses</u> (F)	Investment Income <u>Credit</u> (G)	Contribution to Reserve/ <u>Tax</u> (H)	Required Subscription <u>Income</u> (I)	Present Weighted Average Subscription <u>Income</u> (J)	Required Rate Adjustment <u>Factor</u> (K)
Select Plan B	\$93.1136 (A)	\$20.8029	\$113.9165	\$0.3894	(\$1.3214)	\$5.0150	\$117.9995	\$104.1567	1.1329
Select Plan C	\$122.9371 (B)	\$20.8029	\$143.7400	\$0.4913	(\$1.6674)	\$6.3279	\$148.8918	\$133.0518	1.1191
Select Plan L	\$83.8399 (C)	\$20.8029	\$104.6428	\$0.3577	(\$1.2139)	\$4.6067	\$108.3933	\$98.0673	1.1053

(A) Per Schedule 8, Column 2.

(B) Per Schedule 8, Column 3.

(C) Per Schedule 8, Column 4.

(D) Per Schedule 8, Column 5.

(E) Sum of Column 1 and Column 2.

(F) System replacement expenses allocated to Plan 65 rates, which is 0.33% of premium.

(G) Reduction of required subscription income per contract per month due to anticipated return on invested funds, which is 1.16% of claims and administrative expense.

(H) At 2% reserve loading plus 0.5% federal tax liability plus 1.75% for state premium assessment: (Column 3 + Column 4 + Column 5) / 0.9575 - (Column 3 + Column 4 + Column 5). The premium tax assessment is levied pursuant to P.L. 2008, ch. 100, as enacted by House Bill 7390 Substitute A as amended, as enacted by Article 32 Substitute A as amended, which amended relevant parts R.I.G.L. 27-20.1-2 and 44-17-1. This bill (i.e. the budget) was enacted on June 26, 2008, with Article 32 becoming effective January 1, 2009.

(I) Sum of Column 3 through Column 6.

(J) Based on contract month distribution as of April 2008. Calculation shown on Schedule 19.

(K) Column 7 divided by Column 8.

Schedule 8

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PROJECTED INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
AND ADMINISTRATIVE EXPENSE PER CONTRACT MONTH
FOR FEBRUARY 1, 2009, MARCH 1, 2009, AND APRIL 1, 2009 BILLING CYCLES
PLAN 65 SELECT

	(1)	(2)	(3)	(4)	(5)
	Number of Months	Projected Incurred Claims Expense Per Contract Month			Administrative Expense per Contract Month
<u>Select Plan B</u>		<u>Select Plan C</u>	<u>Select Plan L</u>	<u>Month</u>	
February 2009 Rating Cycle					
February 1 - December 31, 2009	11	\$92.5095 (A)	\$122.1105 (E)	\$83.2926 (I)	\$20.6600 (M)
<u>January 1 - January 31, 2010</u>	1	<u>\$96.8653 (B)</u>	<u>\$128.0710 (F)</u>	<u>\$87.2395 (J)</u>	<u>\$21.6904 (N)</u>
Total		\$92.8725 (C)	\$122.6072 (G)	\$83.6215 (K)	\$20.7459 (O)
March 2009 Rating Cycle					
March 1 - December 31, 2009	10	\$92.5095 (A)	\$122.1105 (E)	\$83.2926 (I)	\$20.6600 (M)
<u>January 1 - February 28, 2010</u>	2	<u>\$96.8653 (B)</u>	<u>\$128.0710 (F)</u>	<u>\$87.2395 (J)</u>	<u>\$21.6904 (N)</u>
Total		\$93.2355 (C)	\$123.1039 (G)	\$83.9504 (K)	\$20.8317 (O)
April 2009 Rating Cycle					
April 1 - December 31, 2009	9	\$92.5095 (A)	\$122.1105 (E)	\$83.2926 (I)	\$20.6600 (M)
<u>January 1 - March 31, 2010</u>	3	<u>\$96.8653 (B)</u>	<u>\$128.0710 (F)</u>	<u>\$87.2395 (J)</u>	<u>\$21.6904 (N)</u>
Total		\$93.5985 (C)	\$123.6006 (G)	\$84.2793 (K)	\$20.9176 (O)
Grand Total		\$93.1136 (D)	\$122.9371 (H)	\$83.8399 (L)	\$20.8029 (P)

(A) Per Schedule 10, Column 7.

(B) Per Schedule 9, Column 7.

(C) Sum of (Column 1 multiplied by Column 2) divided by 12.

(D) Weighted average based on total Plan 65 Select billing cycle enrollment at 4/08: $(0.5689 \times \$92.8725) + (0.1981 \times \$93.2355) + (0.2330 \times \$93.5985)$.

(E) Per Schedule 10, Column 8.

(F) Per Schedule 9, Column 8.

(G) Sum of (Column 1 multiplied by Column 3) divided by 12.

(H) Weighted average based on total Plan 65 Select billing cycle enrollment at 4/08: $(0.5689 \times \$122.6072) + (0.1981 \times \$123.1039) + (0.2330 \times \$123.6006)$.

(I) Per Schedule 10, Column 9.

(J) Per Schedule 9, Column 9.

(K) Sum of (Column 1 multiplied by Column 4) divided by 12.

(L) Weighted average based on total Plan 65 Select billing cycle enrollment at 4/08: $(0.5689 \times \$83.6215) + (0.1981 \times \$83.9504) + (0.2330 \times \$84.2793)$.

(M) Per Schedule 30, Column 2.

(N) Per Schedule 30, Column 4.

(O) Sum of (Column 1 multiplied by Column 5) divided by 12.

(P) Weighted average based on total Plan 65 Select billing cycle enrollment at 4/08: $(0.5689 \times \$20.7459) + (0.1981 \times \$20.8317) + (0.2330 \times \$20.9176)$.

Schedule 9

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2010
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR PLAN B, PLAN C, AND PLAN L
PLAN 65 SELECT**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Projected Incurred Claims Expense per Contract Month 1/1/09 - 12/31/09 (A)	Benefit Changes	Provider Fees	Utilization/ Mix	Composite (P)	All Benefits	Projected Incurred Claims Expense per Contract Month 1/1/10 - 12/31/10 Select Plan B (T)	Select Plan C (U)	Select Plan L (V)
Part A									
Deductible	\$0.7884	1.0263 (B)		1.0000 (J)	1.0263	\$0.8091 (Q)	\$0.8091	\$0.8091	\$0.5917
Copayments	\$0.1606	1.0263 (C)		1.0000 (K)	1.0263	\$0.1648 (Q)	\$0.1648	\$0.1648	\$0.1607
365 Additional Days	\$1.4411	1.0161 (D)		1.0000 (H)	1.0161	\$1.4643 (Q)	\$1.4643	\$1.4643	\$1.4277
Skilled Nursing Facility Copayment	\$18.2627	1.0263 (E)		1.0200 (L)	1.0468	\$19.1174 (Q)	=	\$19.1174	\$13.9796
Sub-Total	\$20.6528					\$21.5556	\$2.4382	\$21.5556	\$16.1597
Part B									
Deductible	\$11.3333	1.0662 (F)		1.0000 (M)	1.0662	\$12.0833 (R)	-	\$12.0833	-
Copayment	\$90.1194	0.9983 (G)	1.0099 (I)	1.0393 (N)	1.0478	\$94.4271 (Q)	\$94.4271	\$94.4271	\$69.0498
Sub-Total	\$101.4527					\$106.5104	\$94.4271	\$106.5104	\$69.0498
Foreign Travel Emergency:	\$0.0050	1.0000 (H)		1.0000 (O)	1.0000	\$0.0050 (Q)	=	\$0.0050	=
Out-of-Pocket Maximum	\$1.9000					\$2.0300 (S)	=	=	\$2.0300
Grand Total	\$124.0105					\$130.1010	\$96.8653	\$128.0710	\$87.2395

(A) Per Schedule 10, Column 6.

(B) Estimated Part A Deductible increase per the 2008 Trustee's Report released March 25, 2008: \$1,092 (2010) / \$1,064 (2009).

(C) Estimated 61st - 90th Day Copayment increase per 2008 Trustee's Report released March 25, 2008: \$273 (2010) / \$266 (2009); Estimated Lifetime Reserve Copayment increase per the 2008 Trustee's Report released March 25, 2008: \$546 (2010) / \$532 (2009).

(D) 2010 over 2009 payment-weighted average rate increase for inpatient hospital services per the Trustee's Report released on March 25, 2008.

(E) Estimated Skilled Nursing Facility Copayment increase per the 2008 Trustee's Report released March 25, 2008: \$136.50 (2010) / \$133 (2009).

(F) Part B Deductible increase per the MEI scenario shown in "Projected Medicare Part B Expenditures under Two Illustrative Scenarios with Alternative Physician Payment Updates," published by the CMS Office of the Actuary on March 25, 2008: \$145 (2010) / \$136 (2009).

(G) Estimated decrease in Part B Copayment claims cost due to estimated increase in Part B Deductible: 1 - (\$11.3333 x (1.0662 - 1) x 20%) / \$90.1194).

(H) Assumed to be no change.

(I) Estimated provider fee change effective January 1, 2010 per Schedule 20, Column 3.

(J) Per Schedule 23.

(K) Per Schedule 24.

(L) Per Schedule 25.

(M) Per Schedule 26.

(N) Per Schedule 27.

(O) Per Schedule 28.

(P) Product of Column 2 through Column 4.

(Q) Column 1 multiplied by Column 5.

(R) Estimated Part B deductible for 2010 (\$145) divided by 12.

(S) Projected claims greater than OOP maximum per member. For CY 2010 OOP maximum for Plan L is estimated to be \$2,390.

(T) Per Column 6 for Plan 65 Select Plan B benefits.

(U) Per Column 6 for Plan 65 Select Plan C benefits.

(V) Per Column 6 for Plan 65 Select Plan L benefit level multiplied by utilization adjustment factor of 0.975, with the exception of the OOP maximum. Part A deductible, SNF copay, and Part B copayment are covered at 75%.

Schedule 10

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2009
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR PLAN B, PLAN C, AND PLAN L
PLAN 65 SELECT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Projected Incurred Claims Expense per Contract Month 1/1/08 - 12/31/08 (A)	Benefit Changes	Projection Factors 1/1/09 - 12/31/09 over 1/1/08 - 12/31/08 Provider Fees	Utilization/ Mix	Composite (P)	All Benefits	Projected Incurred Claims Expense per Contract Month 1/1/09 - 12/31/09 Select Plan B (T)	Select Plan C (U)	Select Plan L (V)
Part A									
Deductible	\$0.7587	1.0391 (B)		1.0000 (J)	1.0391	\$0.7884 (Q)	\$0.7884	\$0.7884	\$0.5765
Copayments	\$0.1546	1.0391 (C)		1.0000 (K)	1.0391	\$0.1606 (Q)	\$0.1606	\$0.1606	\$0.1566
365 Additional Days	\$1.4008	1.0288 (D)		1.0000 (H)	1.0288	\$1.4411 (Q)	\$1.4411	\$1.4411	\$1.4051
Skilled Nursing Facility Copayment	<u>\$17.2306</u>	1.0391 (E)		1.0200 (L)	1.0599	<u>\$18.2627 (Q)</u>	=	<u>\$18.2627</u>	<u>\$13.3546</u>
Sub-Total	\$19.5447					\$20.6528	\$2.3901	\$20.6528	\$15.4928
Part B									
Deductible	\$11.2500	1.0074 (F)		1.0000 (M)	1.0074	\$11.3333 (R)	-	\$11.3333	-
Copayment	<u>\$84.8982</u>	0.9998 (G)	1.0216 (I)	1.0393 (N)	1.0615	<u>\$90.1194 (Q)</u>	<u>\$90.1194</u>	<u>\$90.1194</u>	<u>\$65.8998</u>
Sub-Total	\$96.1482					\$101.4527	\$90.1194	\$101.4527	\$65.8998
Foreign Travel Emergency:	<u>\$0.0050</u>	1.0000 (H)		1.0000 (O)	1.0000	<u>\$0.0050 (Q)</u>	=	<u>\$0.0050</u>	=
Out-of-Pocket Maximum	=					<u>\$1.9000 (S)</u>	=	=	<u>\$1.9000</u>
Grand Total	<u>\$115.6979</u>					<u>\$124.0105</u>	<u>\$92.5095</u>	<u>\$122.1105</u>	<u>\$83.2926</u>

(A) Per Schedule 11, Column 7.

(B) Part A Deductible increase per the 2008 Trustee's Report released March 25, 2008: \$1,064 (2009) / \$1,024 (2008).

(C) 61st - 90th Day Copayment increase per the 2008 Trustee's Report released March 25, 2008: \$266 (2009) / \$256 (2008); Lifetime Reserve Copayment increase per the 2008 Trustee's Report released March 25, 2008: \$532 (2009) / \$512 (2008).

(D) 2009 over 2008 payment-weighted average rate increase for inpatient hospital services per the Trustee's Report released on March 25, 2008.

(E) Skilled Nursing Facility Copayment increase per 2008 Trustee's Report released March 25, 2008: \$133 (2009) / \$128 (2008).

(F) Part B Deductible increase per the MEI scenario shown in "Projected Medicare Part B Expenditures under Two Illustrative Scenarios with Alternative Physician Payment Updates", published by the CMS Office of the Actuary on March 25, 2008: \$136 (2009) / \$135 (2010).

(G) Estimated decrease in Part B Copayment claims cost due to estimated increase in Part B Deductible: 1 - ((11.2500 x (1.0074 - 1) x 20%) / \$84.8982).

(H) Assumed to be no change.

(I) Estimated provider fee change effective January 1, 2009 per Schedule 20, Column 3.

(J) Per Schedule 23.

(K) Per Schedule 24.

(L) Per Schedule 25.

(M) Per Schedule 26.

(N) Per Schedule 27.

(O) Per Schedule 28.

(P) Product of Column 2 through Column 4.

(Q) Column 1 multiplied by Column 5.

(R) Estimated Part B deductible for 2009 (\$136) divided by 12.

(S) Projected claims greater than OOP maximum per member. For CY 2009 OOP maximum for Plan L is estimated to be \$2,300.

(T) Per Column 6 for Plan 65 Select Plan B benefits.

(U) Per Column 6 for Plan 65 Select Plan C benefits.

(V) Per Column 6 for Plan 65 Select Plan L benefit level multiplied by utilization adjustment factor of 0.975, with the exception of the OOP maximum. Part A deductible, SNF copay, and Part B copayment are covered at 75%.

Schedule 11

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2008
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR PLAN B AND PLAN C
PLAN 65 SELECT

	(1)		(2)		(3)		(4)		(5)		(6)		(7)	(8)	(9)
														Projected Incurred	
														Claims Expense per Contract Month	
														1/1/08 - 12/31/08	
	Incurred		Column 1												
	Claims Expense		Adjusted to Claims												
	<u>1/1/07 - 12/31/07</u>		<u>Expense per</u>												
			<u>Contract Month</u>		<u>Benefit</u>	<u>Provider</u>	<u>Utilization/</u>				<u>Composite</u>		<u>All</u>	<u>Select</u>	<u>Select</u>
					<u>Changes</u>	<u>Fees</u>	<u>Mix</u>				<u>(T)</u>		<u>Benefits</u>	<u>Plan B</u>	<u>Plan C</u>
														<u>(W)</u>	<u>(X)</u>
Part A															
Deductible	\$51,104		\$0.7350	(D)	1.0323	(F)	1.0000	(N)		1.0323		\$0.7587	(U)	\$0.7587	\$0.7587
Copayments	\$10,416	(A)	\$0.1498	(D)	1.0323	(G)	1.0000	(O)		1.0323		\$0.1546	(U)	\$0.1546	\$0.1546
365 Additional Days	\$94,356	(B)	\$1.3570	(D)	1.0323	(H)	1.0000	(L)		1.0323		\$1.4008	(U)	\$1.4008	\$1.4008
<u>Skilled Nursing Facility Copayment</u>	<u>\$1,117,377</u>		<u>\$16.3649</u>	(E)	1.0323	(I)	1.0200	(P)		1.0529		<u>\$17.2306</u>	(U)	-	<u>\$17.2306</u>
Sub-Total	\$1,273,253		\$18.6067									\$19.5447		\$2.3141	\$19.5447
Part B															
Deductible	\$763,519		\$11.1823	(E)	1.0305	(J)	1.0000	(Q)		1.0305		\$11.2500	(V)	-	\$11.2500
<u>Copayment</u>	<u>\$5,615,166</u>		<u>\$80.7554</u>	(D)	0.9992	(K)	1.0124	(M)		1.0393	(R)	1.0513	<u>\$84.8982</u>	(U)	<u>\$84.8982</u>
Sub-Total	\$6,378,685		\$91.9377									\$96.1482		\$84.8982	\$96.1482
<u>Foreign Travel Emergency:</u>	<u>\$341</u>	(C)	<u>\$0.0050</u>	(E)	1.0000	(L)			1.0000	(S)	1.0000	<u>\$0.0050</u>	(U)	-	<u>\$0.0050</u>
Grand Total	\$7,652,279		\$110.5494									\$115.6979		\$87.2123	\$115.6979

(A) Actual claims expense replaced with average of 2004 through 2006 non-group claims expense per contract month projected to 1/1/07 - 12/31/07 for Select Plan B and Select Plan C, extended by contract months.

(B) Actual claims expense replaced with average of 2003 through 2006 non-group claims expense per contract month projected to 1/1/07 - 12/31/07 for Select Plan B and Select Plan C, extended by contract months.

(C) Actual claims expense replaced with average of 2004 through 2006 non-group claims expense per contract month projected to 1/1/07 - 12/31/07 for Select Plan C, extended by contract months.

(D) Column 1 divided by 69,533 Select Plan B and Select Plan C contract months for 1/1/07 - 12/31/07.

(E) Column 1 divided by 68,279 Select Plan C contract months for 1/1/07 - 12/31/07.

(F) Part A Deductible increase per 72 FR 57036 October 5, 2007: \$1,024 (2008) / \$992 (2007).

(G) 61st - 90th Day Copayment increase per 72 FR 57036 October 5, 2007: \$256 (2008) / \$248 (2007); Lifetime Reserve Copayment increase: \$512 (2008) / \$496 (2007).

(H) 2008 over 2007 increase in Part A Deductible used, since real case-mix adjustment factor was 0%. Per 72 FR 57036 October 5, 2007.

(I) Skilled Nursing Facility Copayment increase per 72 FR 57036 October 5, 2007: \$128 (2008) / \$124 (2007).

(J) Part B Deductible increase per 72 FR 57039 October 5, 2007: \$135 (2008) / \$131 (2007).

(K) Estimated decrease in Part B Copayment claims cost due to increase in Part B Deductible: 1 - ((\$11.1823 x (1.0305 - 1) x 20%) / \$80.7554).

(L) Assumed to be no change.

(N) Per Schedule 23.

(O) Per Schedule 24.

(P) Per Schedule 25.

(Q) Per Schedule 26.

(R) Per Schedule 27.

(S) Per Schedule 28.

(T) Product of Column 3 through Column 5.

(U) Column 2 multiplied by Column 6.

(V) Part B deductible for 2008 (\$135) divided by 12.

(W) Per Column 7 for Plan 65 Select Plan B benefits.

(X) Per Column 7 for Plan 65 Select Plan C benefits.

Schedule 12

**Plan 65 Medigap: Calculation of Required
Rate Adjustment Factors
For Plan A and Plan C**

Schedule 13

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF REQUIRED PLAN A AND PLAN C RATE ADJUSTMENT FACTORS
FOR FEBRUARY 1, 2009, MARCH 1, 2009, AND APRIL 1, 2009 BILLING CYCLES
PLAN 65 MEDIGAP

(1) (2) (3) (4) (5) (6) (7) (8) (9)

Projected Weighted Average per Contract Month Values in Aggregate
For February 1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles
For Rate Years Commencing February 1, 2009, March 1, 2009, and April 1, 2009, Respectively

	Incurred Claims Expense	Administrative Expense (C)	Total Incurred Claims and Administrative Expense (D)	System Replacement Expenses (E)	Investment Income Credit (F)	Contribution to Reserve/ Tax (G)	Required Subscription Income (H)	Present Weighted Average Subscription Income (I)	Required Rate Adjustment Factor (J)
Medigap Plan A	\$106.4970 (A)	\$20.8207	\$127.3177	\$0.4352	(\$1.4769)	\$5.6049	\$131.8809	\$116.8231	1.1289
Medigap Plan C	\$170.8090 (B)	\$20.8207	\$191.6297	\$0.6550	(\$2.2229)	\$8.4362	\$198.4980	\$182.9486	1.0850

(A) Per Schedule 14, Column 2.

(B) Per Schedule 14, Column 3.

(C) Per Schedule 14, Column 4.

(D) Sum of Columns 1 and 2.

(E) System replacement expenses allocated to Plan 65 rates, which is 0.33% of premium.

(F) Reduction of required subscription income per contract per month due to anticipated return on invested funds, which is 1.16% of claims and administrative expense.

(G) At 2% reserve loading plus 0.5% federal tax liability plus 1.75% for state premium assessment: (Column 3 + Column 4 + Column 5) / 0.9575 - (Column 3 + Column 4 + Column 5). The premium tax assessment is levied pursuant to P.L. 2008, ch. 100, as enacted by House Bill 7390 Substitute A as amended, as enacted by Article 32 Substitute A as amended, which amended relevant parts R.I.G.L. 27-20.1-2 and 44-17-1. This bill (i.e. the budget) was enacted on June 26, 2008, with Article 32 becoming effective January 1, 2009.

(H) Sum of Column 3 through Column 6.

(I) Based on contract month distribution as of April 2008. PRI calculation shown on Schedule 19.

(J) Column 7 divided by Column 8.

Schedule 14

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PROJECTED INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
AND ADMINISTRATIVE EXPENSE PER CONTRACT MONTH
FOR FEBRUARY 1, 2009, MARCH 1, 2009, AND APRIL 1, 2009 BILLING CYCLES
PLAN 65 MEDIGAP

	(1)	(2)	(3)	(4)
	Number of Months	Projected Incurred Claims Expense Per Contract Month		Administrative Expense per Contract Month
		<u>Medigap Plan A</u>	<u>Medigap Plan C</u>	<u>Month</u>
February 2009 Rating Cycle				
February 1 - December 31, 2009	11	\$105.7201 (A)	\$169.6211 (E)	\$20.6600 (I)
<u>January 1 - January 31, 2010</u>	1	<u>\$110.7013 (B)</u>	<u>\$177.2373 (F)</u>	<u>\$21.6904 (J)</u>
Total		\$106.1352 (C)	\$170.2558 (G)	\$20.7459 (K)
March 2009 Rating Cycle				
March 1 - December 31, 2009	10	\$105.7201 (A)	\$169.6211 (E)	\$20.6600 (I)
<u>January 1 - February 28, 2010</u>	2	<u>\$110.7013 (B)</u>	<u>\$177.2373 (F)</u>	<u>\$21.6904 (J)</u>
Total		\$106.5503 (C)	\$170.8905 (G)	\$20.8317 (K)
April 2009 Rating Cycle				
April 1 - December 31, 2009	9	\$105.7201 (A)	\$169.6211 (E)	\$20.6600 (I)
<u>January 1 - March 31, 2010</u>	3	<u>\$110.7013 (B)</u>	<u>\$177.2373 (F)</u>	<u>\$21.6904 (J)</u>
Total		\$106.9654 (C)	\$171.5252 (G)	\$20.9176 (K)
Grand Total		\$106.4970 (D)	\$170.8090 (H)	\$20.8207 (L)

(A) Per Schedule 16, Column 7.

(B) Per Schedule 15, Column 7.

(C) Sum of (Column 1 multiplied by Column 2) divided by 12.

(D) Weighted average based on total Plan 65 Medigap billing cycle enrollment at 4/08: $(0.4260 \times \$106.1352) + (0.2764 \times \$106.5503) + (0.2976 \times \$106.9654)$.

(E) Per Schedule 16, Column 8.

(F) Per Schedule 15, Column 8.

(G) Sum of (Column 1 multiplied by Column 3) divided by 12.

(H) Weighted average based on total Plan 65 Medigap billing cycle enrollment at 4/08: $(0.4260 \times \$170.2558) + (0.2764 \times \$170.8905) + (0.2976 \times \$171.5252)$.

(I) Per Schedule 30, Column 2.

(J) Per Schedule 30, Column 4.

(K) Sum of (Column 1 multiplied by Column 4) divided by 12.

(L) Weighted average based on total Plan 65 Medigap billing cycle enrollment at 4/08: $(0.4260 \times \$20.7459) + (0.2764 \times \$20.8317) + (0.2976 \times \$20.9176)$.

Schedule 15

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2010
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR PLAN A AND PLAN C
PLAN 65 MEDIGAP**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Projected Incurred Claims Expense per Contract Month 1/1/09 - 12/31/09 (A)	Projection Factors 1/1/10 - 12/31/10 over 1/1/09 - 12/31/09				Projected Incurred Claims Expense per Contract Month 1/1/10 - 12/31/10		
		<u>Benefit Changes</u>	<u>Provider Fees</u>	<u>Utilization/ Mix</u>	<u>Composite (P)</u>	<u>All Benefits</u>	<u>Medigap Plan A (S)</u>	<u>Medigap Plan C (T)</u>
Part A								
Deductible	\$27.8515	1.0263 (B)		1.0000 (J)	1.0263	\$28.5840 (Q)	-	\$28.5840
Copayments	\$2.1910	1.0263 (C)		1.0000 (K)	1.0263	\$2.2486 (Q)	\$2.2486	\$2.2486
365 Additional Days	\$1.4347	1.0161 (D)		1.0000 (H)	1.0161	\$1.4578 (Q)	\$1.4578	\$1.4578
Skilled Nursing Facility Copayment	\$24.6253	1.0263 (E)		1.0200 (L)	1.0468	\$25.7778 (Q)	=	\$25.7778
Sub-Total	\$56.1025					\$58.0682	\$3.7064	\$58.0682
Part B								
Deductible	\$11.3333	1.0662 (F)		1.0000 (M)	1.0662	\$12.0833 (R)	-	\$12.0833
Copayment	\$102.0944	0.9985 (G)	1.0099 (I)	1.0393 (N)	1.0480	\$106.9949 (Q)	\$106.9949	\$106.9949
Sub-Total	\$113.4277					\$119.0782	\$106.9949	\$119.0782
Foreign Travel Emergency:	\$0.0909	1.0000 (H)		1.0000 (O)	1.0000	\$0.0909 (Q)	=	\$0.0909
<u>Grand Total</u>	<u>\$169.6211</u>					<u>\$177.2373</u>	<u>\$110.7013</u>	<u>\$177.2373</u>

(A) Per Schedule 16, Column 6.

(B) Estimated Part A Deductible increase per the 2008 Trustee's Report released March 25, 2008: \$1,092 (2010) / \$1,064 (2009).

(C) Estimated 61st - 90th Day Copayment increase per the 2008 Trustee's Report released March 25, 2008: \$273 (2010) / \$266 (2009); Estimated Lifetime Reserve Copayment increase per the 2008 Trustee's Report released March 25, 2008: \$546 (2010) / \$532 (2009).

(D) 2010 over 2009 payment-weighted average rate increase for inpatient hospital services per the Trustee's Report released on March 25, 2008.

(E) Estimated Skilled Nursing Facility Copayment increase per the 2008 Trustee's Report released March 25, 2008: \$136.50 (2010) / \$133 (2009).

(F) Part B Deductible increase per the MEI scenario shown in "Projected Medicare Part B Expenditures under Two Illustrative Scenarios with Alternative Physician Payment Updates", published by the CMS Office of the Actuary on March 25, 2008: \$145 (2010) / \$136 (2009).

(G) Estimated decrease in Part B Copayment claims cost due to estimated increase in Part B Deductible: 1 - ((\$11.3333 x (1.0662 - 1) x 20%) / \$102.0944).

(H) Assumed to be no change.

(I) Estimated provider fee change effective January 1, 2010 per Schedule 20, Column 3.

(J) Per Schedule 23.

(K) Per Schedule 24.

(L) Per Schedule 25.

(M) Per Schedule 26.

(N) Per Schedule 27.

(O) Per Schedule 28.

(P) Product of Column 2 through Column 4.

(Q) Column 1 multiplied by Column 5.

(R) Estimated Part B deductible for 2010 (\$145) divided by 12.

(S) Per Column 6 for Plan 65 Medigap Plan A benefits.

(T) Per Column 6 for Plan 65 Medigap Plan C benefits.

Schedule 16

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2009
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR PLAN A AND PLAN C
PLAN 65 MEDIGAP**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Projected Incurred Claims Expense per Contract Month <u>1/1/08 - 12/31/08</u> (A)	Projection Factors 1/1/09 - 12/31/09 over 1/1/08 - 12/31/08				Projected Incurred Claims Expense per Contract Month 1/1/09 - 12/31/09		
		<u>Benefit</u> <u>Changes</u>	<u>Provider</u> <u>Fees</u>	<u>Utilization/</u> <u>Mix</u>	<u>Composite</u> (P)	<u>All</u> <u>Benefits</u>	<u>Medigap</u> <u>Plan A</u> (S)	<u>Medigap</u> <u>Plan C</u> (T)
Part A								
Deductible	\$26.8035	1.0391 (B)		1.0000 (J)	1.0391	\$27.8515 (Q)	-	\$27.8515
Copayments	\$2.1086	1.0391 (C)		1.0000 (K)	1.0391	\$2.1910 (Q)	\$2.1910	\$2.1910
365 Additional Days	\$1.3945	1.0288 (D)		1.0000 (H)	1.0288	\$1.4347 (Q)	\$1.4347	\$1.4347
<u>Skilled Nursing Facility Copayment</u>	<u>\$23.2336</u>	1.0391 (E)		1.0200 (L)	1.0599	<u>\$24.6253</u> (Q)	=	<u>\$24.6253</u>
Sub-Total	\$53.5402					\$56.1025	\$3.6257	\$56.1025
Part B								
Deductible	\$11.2500	1.0074 (F)		1.0000 (M)	1.0074	\$11.3333 (R)	-	\$11.3333
<u>Copayment</u>	<u>\$96.1794</u>	0.9998 (G)	1.0216 (I)	1.0393 (N)	1.0615	<u>\$102.0944</u> (Q)	<u>\$102.0944</u>	<u>\$102.0944</u>
Sub-Total	\$107.4294					\$113.4277	\$102.0944	\$113.4277
<u>Foreign Travel Emergency:</u>	<u>\$0.0909</u>	1.0000 (H)		1.0000 (O)	1.0000	<u>\$0.0909</u> (Q)	=	<u>\$0.0909</u>
<u>Grand Total</u>	<u>\$161.0605</u>					<u>\$169.6211</u>	<u>\$105.7201</u>	<u>\$169.6211</u>

(A) Per Schedule 17, Column 7.

(B) Part A Deductible increase per 2008 Trustee's Report released March 25, 2008: \$1,064 (2009) / \$1,024

(C) 61st - 90th Day Copayment increase per 2008 Trustee's Report released March 25, 2008: \$266 (2009) / \$256 (2008); Lifetime Reserve Copayment increase per 2008 Trustee's Report released March 25, 2008: \$532 (2009) / \$512 (2008).

(D) 2009 over 2008 payment-weighted average rate increase for inpatient hospital services per the Trustee's Report released on March 25, 2008.

(E) Skilled Nursing Facility Copayment increase per 2008 Trustee's Report released March 25, 2008: \$133 (2009) / \$128 (2008).

(F) Part B Deductible increase per the MEI scenario shown in "Projected Medicare Part B Expenditures under Two Illustrative Scenarios with Alternative Physician Payment Updates," published by the CMS Office of the Actuary on March 25, 2008: \$136 (2009) / \$135 (2008).

(G) Estimated decrease in Part B Copayment claims cost due to estimated increase in Part B Deductible: 1 - ((\$11.2500 x (1.0074 - 1) x 20%) / \$96.1794).

(H) Assumed to be no change.

(I) Estimated provider fee change effective January 1, 2009 per Schedule 20, Column 3.

(J) Per Schedule 23.

(K) Per Schedule 24.

(L) Per Schedule 25.

(M) Per Schedule 26.

(N) Per Schedule 27.

(O) Per Schedule 28.

(P) Product of Column 2 through Column 4.

(Q) Column 1 multiplied by Column 5.

(R) Estimated Part B deductible for 2009 (\$136) divided by 12.

(S) Per Column 6 for Plan 65 Medigap Plan A benefits.

(T) Per Column 6 for Plan 65 Medigap Plan C benefits.

Schedule 17

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF JANUARY THROUGH DECEMBER 2008
INCURRED CLAIMS EXPENSE PER CONTRACT MONTH
FOR PLAN A AND PLAN C
PLAN 65 MEDIGAP

	(1)		(2)		(3)		(4)		(5)		(6)		(7)	(8)	(9)
	Incurred		Column 1		Projection Factors								Projected Incurred		
	Claims Expense		Adjusted to Claims		1/1/08 - 12/31/08 over 1/1/07 - 12/31/07								Claims Expense per Contract Month		
	1/1/07 - 12/31/07		Expense per		Benefit	Provider	Utilization/						All	Medigap	Medigap
			Contract Month		Changes	Fees	Mix			Composite			Benefits	Plan A	Plan C
										(U)				(X)	(Y)
Part A															
Deductible	\$4,166,257		\$25.9648	(D)	1.0323	(G)	1.0000	(O)	1.0323		\$26.8035	(V)	-		\$26.8035
Copayments	\$331,984	(A)	\$2.0426	(E)	1.0323	(H)	1.0000	(P)	1.0323		\$2.1086	(V)	\$2.1086		\$2.1086
365 Additional Days	\$219,556	(B)	\$1.3509	(E)	1.0323	(I)	1.0000	(M)	1.0323		\$1.3945	(V)	\$1.3945		\$1.3945
Skilled Nursing Facility Copayment	\$3,509,914		\$22.0663	(F)	1.0323	(J)	1.0200	(Q)	1.0529		\$23.2336	(V)	=		\$23.2336
Sub-Total	\$8,227,711		\$51.4246								\$53.5402		\$3.5031		\$53.5402
Part B															
Deductible	\$1,785,671		\$11.2263	(F)	1.0305	(K)	1.0000	(R)	1.0305		\$11.2500	(W)	-		\$11.2500
Copayment	\$14,866,432		\$91.4688	(E)	0.9993	(L)	1.0124	(N)	1.0393	(S)	\$96.1794	(V)	\$96.1794		\$96.1794
Sub-Total	\$16,652,103		\$102.6951								\$107.4294		\$96.1794		\$107.4294
Foreign Travel Emergency:	\$14,460	(C)	\$0.0909	(F)	1.0000	(M)	1.0000	(T)	1.0000		\$0.0909	(V)	=		\$0.0909
Grand Total	\$24,894,274		\$154.2106								\$161.0605		\$99.6825		\$161.0605

(A) Actual claims expense replaced with average of 2004 through 2006 non-group claims expense per contract month projected to 1/1/07 - 12/31/07 for Medigap Plan A, Medigap Plan B and Medigap Plan C, extended by contract months.

(B) Actual claims expense replaced with average of 2003 through 2006 non-group claims expense per contract month projected to 1/1/07 - 12/31/07 for Medigap Plan A, Medigap Plan B and Medigap Plan C, extended by contract months.

(C) Actual claims expense replaced with average of 2004 through 2006 non-group claims expense per contract month projected to 1/1/07 - 12/31/07 for Medigap Plan C, extended by contract months.

(D) Column 1 divided by 160,458 Medigap Plan B and Medigap Plan C contract months for 1/1/07 - 12/31/07.

(E) Column 1 divided by 162,530 Medigap Plan A, Medigap Plan B and Medigap Plan C contract months for 1/1/07 - 12/31/07.

(F) Column 1 divided by 159,062 Medigap Plan C contract months for 1/1/07 - 12/31/07.

(G) Part A Deductible increase per 72 FR 57036 October 5, 2007: \$1,024 (2008) / \$992 (2007).

(H) 61st - 90th Day Copayment increase per 72 FR 57036 October 5, 2007: \$256 (2008) / \$248 (2007); Lifetime Reserve Copayment increase: \$512 (2008) / \$496 (2007).

(I) 2008 over 2007 increase in Part A Deductible used, since real case-mix adjustment factor was 0%. Per 72 FR 57036 October 5, 2007.

(J) Skilled Nursing Facility Copayment increase per 72 FR 57036 October 5, 2007: \$128 (2008) / \$124 (2007).

(K) Part B Deductible increase per 72 FR 57039 October 5, 2007: \$135 (2008) / \$131 (2007).

(L) Estimated decrease in Part B Copayment claims cost due to increase in Part B Deductible: 1 - ((11.2263 x (1.0305 - 1) x 20%) / \$91.4688).

(M) Assumed to be no change.

(N) Provider fee change effective January 1, 2008 per Schedule 20, Column 3.

(O) Per Schedule 23.

(P) Per Schedule 24.

(Q) Per Schedule 25.

(R) Per Schedule 26.

(S) Per Schedule 27.

(T) Per Schedule 28.

(U) Product of Column 3 through Column 5.

(V) Column 2 multiplied by Column 6.

(W) Part B deductible for 2008 (\$135) divided by 12.

(X) Per Column 7 for Plan 65 Medigap Plan A benefits.

(Y) Per Column 7 for Plan 65 Medigap Plan C benefits.

Schedule 18

Plan 65 Medigap and Plan 65 Select

Supporting Calculations

8/15/2008

Schedule 19

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF INCOME AT PRESENT RATES
AT APRIL 2008
PLAN 65 MEDIGAP AND PLAN 65 SELECT

	(1) Contracts Effective 4/08	(2) Present Monthly Subscription Rates Effective 2/1/08	(3) Present Monthly Subscription Rates w/o Age-in Credit (A)	(4) Impact of Age-in Credit Rates (B)	(5) Redistributed Present Monthly Subscription Rate (C)
Plan 65 Medigap Plan A					
Discount Rate	4	\$107.94	\$107.94		
Base Rate	176	\$119.93	\$119.93		
Year 1 Age-in Rate	10	\$83.95	\$119.93		
<u>Year 2 Age-in Rate</u>	<u>6</u>	<u>\$95.94</u>	<u>\$119.93</u>		
Total Medigap Plan A	196	\$117.1152	\$119.6853	1.0245	\$116.8231
Plan 65 Medigap Plan B					
	110	\$116.0300	\$116.0300	1.0245	\$113.2552
Plan 65 Medigap Plan C					
Discount Rate	2,114	\$171.55	\$171.55		
Base Rate	9,750	\$190.61	\$190.61		
Year 1 Age-in Rate	559	\$133.43	\$190.61		
<u>Year 2 Age-in Rate</u>	<u>251</u>	<u>\$152.49</u>	<u>\$190.61</u>		
Total Medigap Plan C	12,674	\$184.1539	\$187.4308	1.0245	\$182.9486
Plan 65 Select Plan B:					
Discount Rate	56	\$98.03	\$98.03		
<u>Standard Rate</u>	<u>39</u>	<u>\$119.17</u>	<u>\$119.17</u>		
Total Select Plan B	95	\$106.7085	\$106.7085	1.0245	\$104.1567
Plan 65 Select Plan C:					
Discount Rate	3,015	\$122.45	\$122.45		
Standard Rate	1,866	\$166.88	\$166.88		
Year 1 Age-in Rate	714	\$85.72	\$122.45		
<u>Year 2 Age-in Rate</u>	<u>386</u>	<u>\$97.96</u>	<u>\$122.45</u>		
Total Select Plan C	5,981	\$130.3463	\$136.3116	1.0245	\$133.0518
Plan 65 Select Plan L:					
Standard Rate	117	\$100.4700	\$100.4700		
Year 1 Age-in Rate	0	\$70.3300	\$100.4700		
<u>Year 2 Age-in Rate</u>	<u>0</u>	<u>\$80.3800</u>	<u>\$100.4700</u>		
Total Select Plan L	117	\$100.4700	\$100.4700	1.0245	\$98.0673
Grand Total Plan 65	19,173	\$165.3981	\$169.4514	1.0245	\$165.3991

(A) Plan 65 present monthly subscription income assuming no age-in credit rates.

(B) Total Plan 65 present monthly subscription income without age-in credit divided by total Plan 65 present monthly subscription income (Column 3 total divided by Column 2 total).

(C) Present monthly subscription rates with impact of age-in credit evenly distributed across plans (Column 3 divided by Column 4.)

Schedule 20

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PART B WEIGHTED PROVIDER FEE CHANGE FACTORS
EFFECTIVE JANUARY 1, 2008, JANUARY 1, 2009, AND JANUARY 1, 2010
PLAN 65 MEDIGAP AND PLAN 65 SELECT

	(1)	(2)	(3)
	Institutional Services Change / Conversion Factor <u>Change</u>	Change in Geographic Adjustment Factor (GAF) <u>Factor (GAF)</u>	Institutional Services/ Physician Services Distribution (J)
<u>Change Effective</u> <u>January 1, 2008</u>			
Institutional Services	0.9992 (A)	-	0.33
<u>Physician Services</u>	1.0050 (B)	1.0138 (G)	<u>0.67</u>
Provider Fee Change			1.0124 (K)
<u>Change Effective</u> <u>January 1, 2009 (Estimated)</u>			
Institutional Services	1.0131 (C)	-	0.33
<u>Physician Services</u>	1.0110 (D)	1.0146 (H)	<u>0.67</u>
Provider Fee Change			1.0216 (K)
<u>Change Effective</u> <u>January 1, 2010 (Estimated)</u>			
Institutional Services	1.0077 (E)	-	0.33
<u>Physician Services</u>	1.0110 (F)	1.0000 (I)	<u>0.67</u>
Provider Fee Change			1.0099 (K)

(A) Estimated institutional services payment change for calendar year 2008 over calendar year 2007, per Schedule 21, Column 3, Line 6.

(B) Published conversion factor change for January 1, 2008 for total physician services per Schedule 22, Line 3.

(C) Estimated institutional services payment change for calendar year 2009 over calendar year 2008, per Schedule 21, Column 4, Line 6.

(D) Conversion factor change for January 1, 2009 for total physician services per Schedule 22, Line 6.

(E) Estimated institutional services payment change for calendar year 2010 over calendar year 2009, per Schedule 21, Column 5, Line 6.

(F) Estimated conversion factor change for January 1, 2010 for total physician services per Schedule 22, Line 9.

(G) Calculated change in GAF for calendar year 2008 over calendar year 2007 based on factors per 72 FR 66548 November 27, 2007 and weights per 68 FR 49039 August 15, 2003.

(H) Calculated change in GAF for calendar year 2009 over calendar year 2008 based on proposed factors per 73 FR 38830 July 7, 2008 and weights per 68 FR 49039 August 15, 2003.

(I) Assumed no change in GAF for calendar year 2010 over calendar year 2009.

(J) Distribution based on BCBSRI-specific payments incurred in calendar year 2007 for Part B institutional services and physician services.

(K) Weighted average of institutional and physician services factors based on claims distribution.

Schedule 21

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF INSTITUTIONAL SERVICES COMPONENT OF PART B COPAYMENT PROVIDER FEE CHANGES
EFFECTIVE JANUARY 1, 2008, JANUARY 1, 2009, AND JANUARY 1, 2010
PLAN 65 MEDIGAP AND PLAN 65 SELECT

Calculation of Wage Index

	(1) <u>Weights (A)</u>	(2) <u>1/1/2007 (B)</u>	(3) <u>1/1/2008 (C)</u>	(4) <u>1/1/2009 (D)</u>	(5) <u>1/1/2010 (E)</u>
1. RI Hospital Wage Index	0.60	1.0744	1.0533	1.0669	1.0669
<u>2. National Hospital Wage Index</u>	<u>0.40</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
3. Total	1.00	1.0446	1.0320	1.0401	1.0401

Calculation of Part B Copayment Institutional Services Fee Change

	<u>Weights (F)</u>	<u>1/1/2008</u>	<u>1/1/2009</u>	<u>1/1/2010</u>
4. Prospective Payment System (PPS) (G)	0.70	0.9879	1.0078	1.0000
<u>5. Fee-Based Services (FFS) (H)</u>	<u>0.30</u>	<u>1.0256</u>	<u>1.0256</u>	<u>1.0256</u>
6. Total	1.00	0.9992	1.0131	1.0077

(A) Per Federal Register published on November 13, 2000, CMS recognizes 60% of hospitals' costs as labor related costs that are standardized for the geographic wage differences.

(B) Per Federal Register published on November 24, 2006.

(C) Per Federal Register published on November 27, 2007.

(D) Per proposed rule published by CMS on June 10, 2008.

(E) Previous year's index assumed to repeat.

(F) Estimated relative weights between claims impacted by PPS and fee-for-service claims.

(G) Change in annual wage indices from year to year.

(H) Change in annual Northeast Urban, Not Seasonally Adjusted, All Items factors for CY 2007 over CY 2006 per www.bls.gov/cpi.

Schedule 22

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
CALCULATION OF PART B PHYSICIAN CONVERSION FACTOR CHANGE
EFFECTIVE JANUARY 1, 2008, JANUARY 1, 2009, AND JANUARY 1, 2010
PLAN 65 MEDIGAP AND PLAN 65 SELECT

Change Effective
January 1, 2008

1.	January 1, 2007 Conversion Factor (A)	\$37.8975
2.	January 1, 2008 Conversion Factor (B)	\$38.0870
3.	Conversion Factor Change (C)	1.0050

Change Effective
January 1, 2009

4.	January 1, 2008 Conversion Factor (B)	\$38.0870
5.	January 1, 2009 Conversion Factor (B)	\$38.5060
6.	Conversion Factor Change (D)	1.0110

Change Effective
January 1, 2010 (Estimated)

7.	January 1, 2009 Conversion Factor (B)	\$38.5060
8.	January 1, 2010 Conversion Factor (E)	\$38.9296
9.	Conversion Factor Change (F)	1.0110

(A) Per Tax Relief and Health Care Act of 2006, signed into law on December 9, 2006.

(B) Per Medicare Improvement for Patients and Providers Act of 2008 passed by Congress on July 16, 2008.

(C) Line 2 divided by Line 1.

(D) Line 5 divided by Line 4.

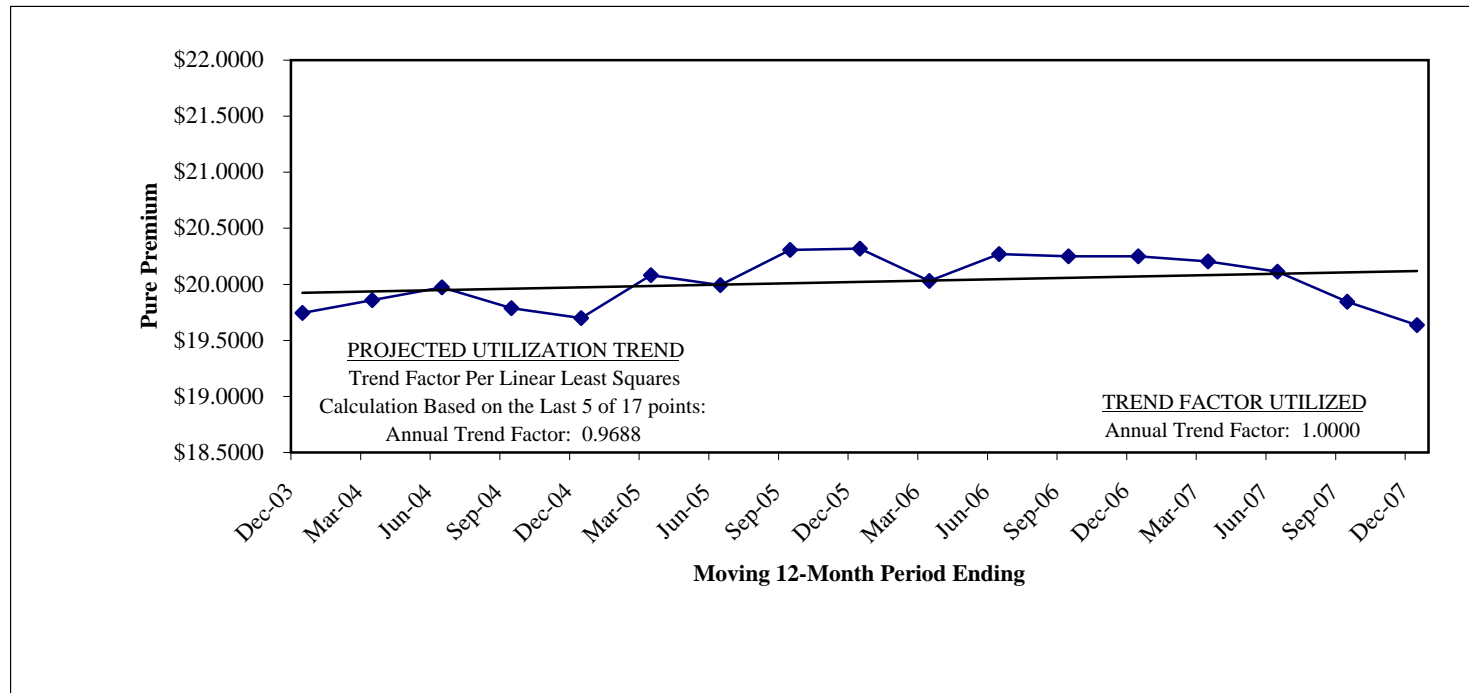
(E) Line 7 multiplied by Line 9.

(F) Assumes previous year's increase in physicians' payments.

Schedule 23

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PLAN 65 MEDIGAP AND PLAN 65 SELECT

PART A DEDUCTIBLE: HISTORICAL PURE PREMIUM VALUES AND
PROJECTED UTILIZATION TREND

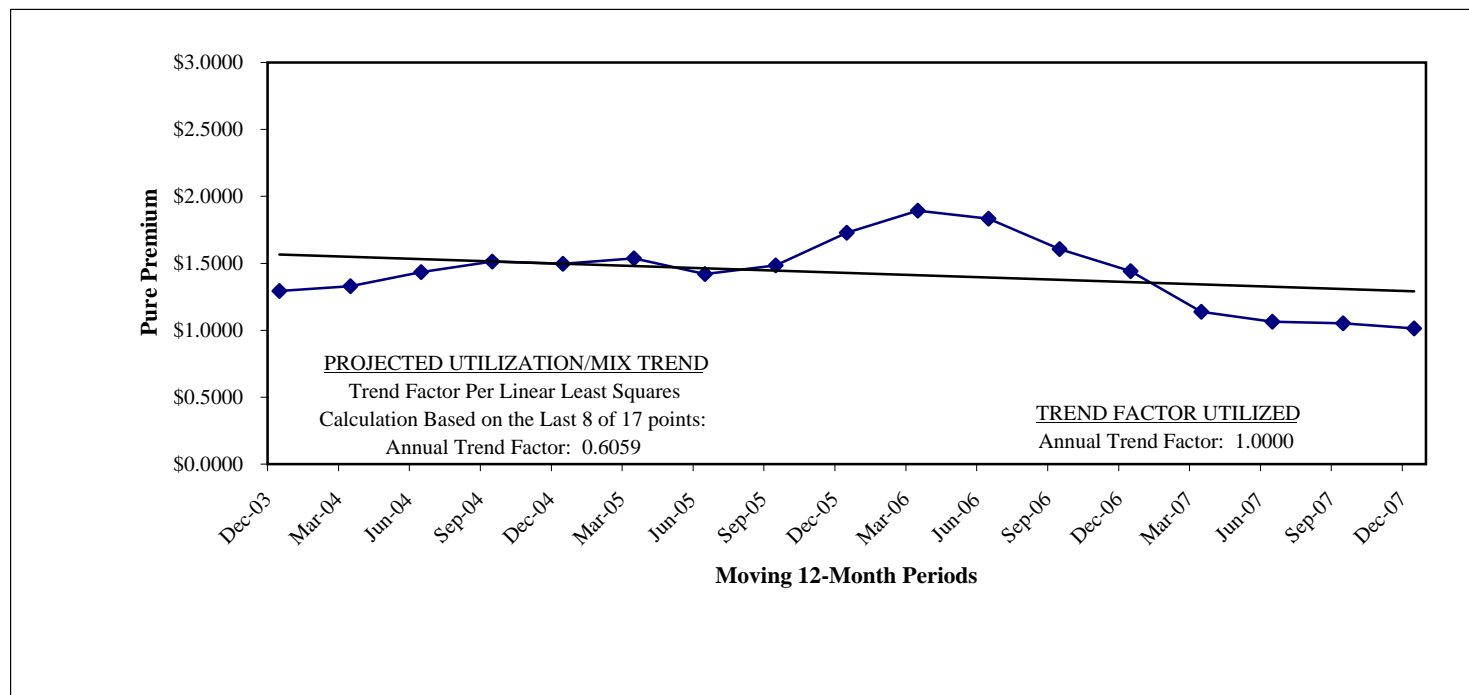


Note: Incurred claims expense per contract month is calculated with all periods adjusted to the CY 2003 deductible level.

Schedule 24

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND PLAN 65 MEDIGAP AND PLAN 65 SELECT

PART A 61ST - 90TH DAY AND LIFETIME RESERVE COPAYMENTS: HISTORICAL PURE PREMIUM VALUES AND PROJECTED UTILIZATION/MIX TREND

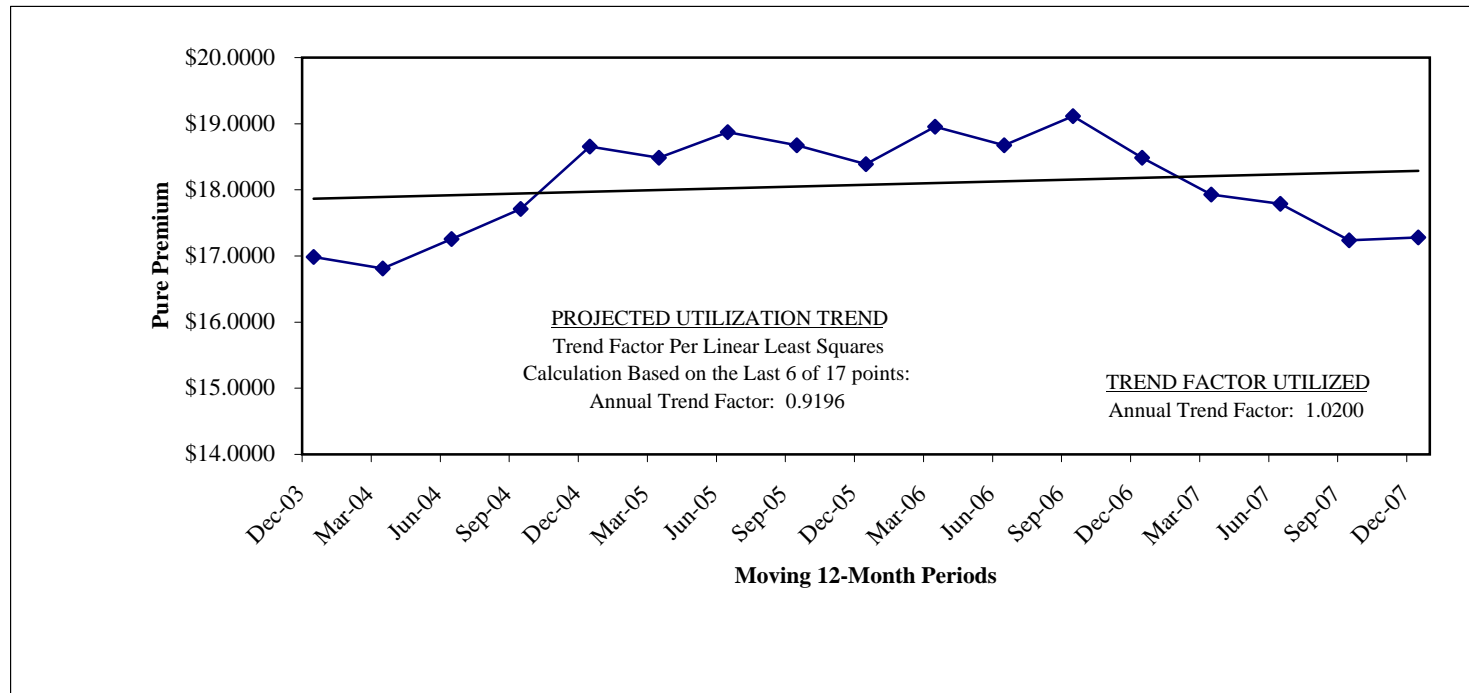


Note: Incurred claims expense per contract month is calculated with all periods adjusted to the 2003 copayment level.

Schedule 25

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PLAN 65 MEDIGAP AND PLAN 65 SELECT

SKILLED NURSING FACILITY COPAYMENT: HISTORICAL PURE PREMIUM VALUES AND
PROJECTED UTILIZATION TREND

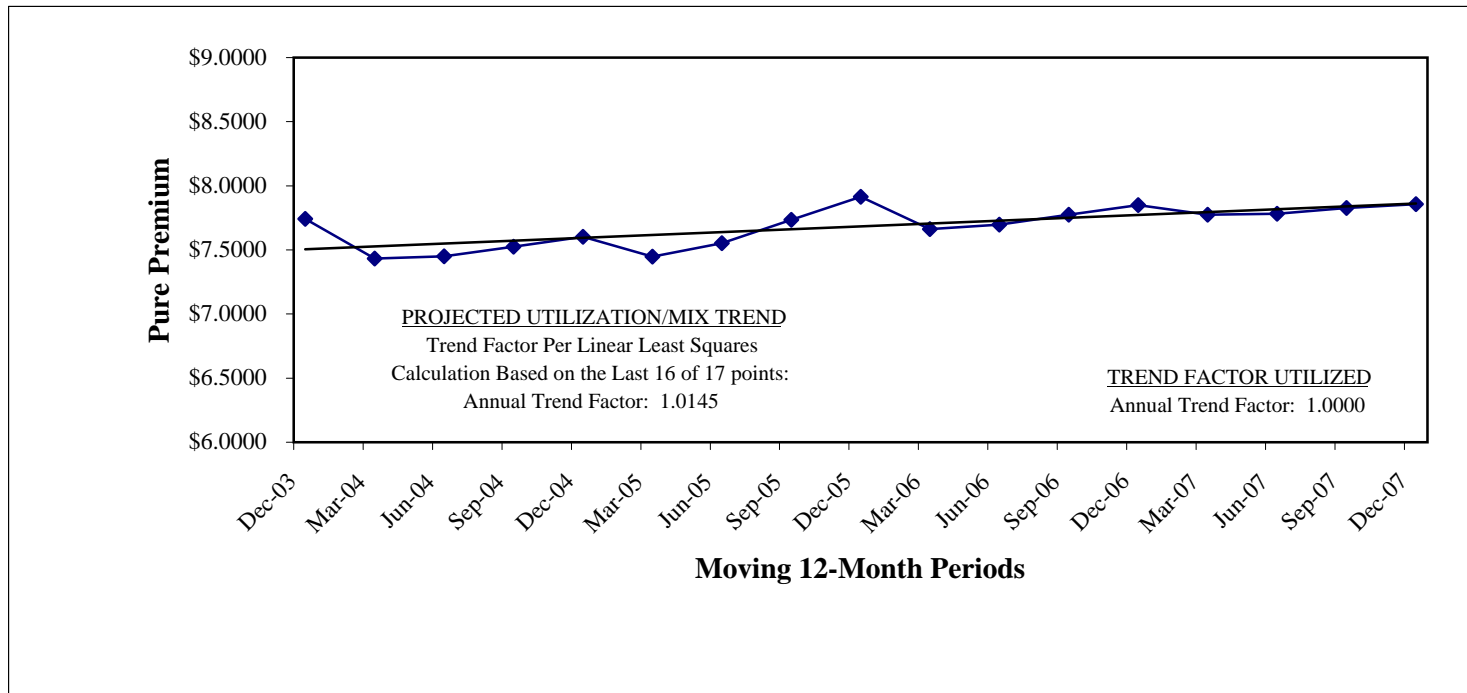


Note: Incurred claims expense per contract month is calculated with all periods adjusted to the 2003 copayment level.

Schedule 26

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PLAN 65 MEDIGAP AND PLAN 65 SELECT

PART B DEDUCTIBLE: HISTORICAL PURE PREMIUM VALUES AND
PROJECTED UTILIZATION/MIX TREND

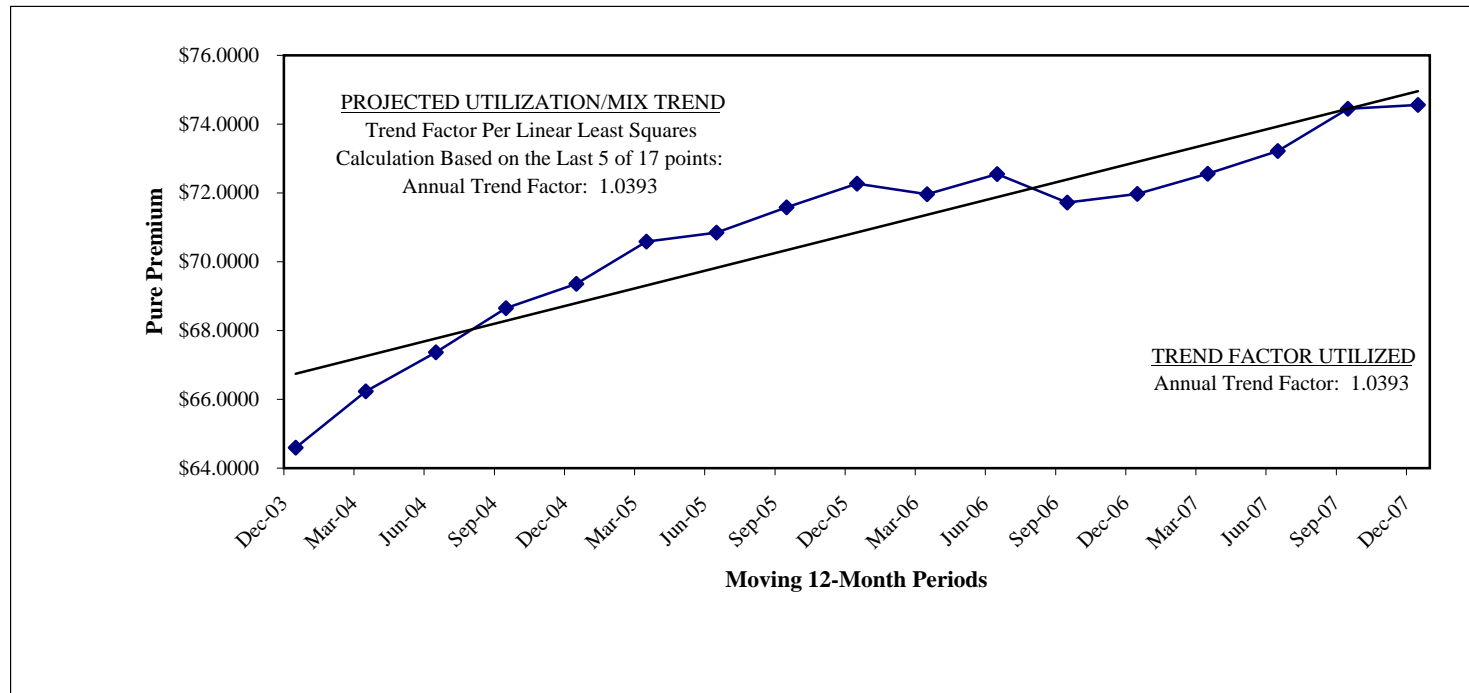


Note: Incurred claims expense per contract month is calculated with all periods adjusted to the 2003 deductible level.

Schedule 27

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PLAN 65 MEDIGAP AND PLAN 65 SELECT

PART B COPAYMENT: HISTORICAL PURE PREMIUM VALUES AND
PROJECTED UTILIZATION/MIX TREND

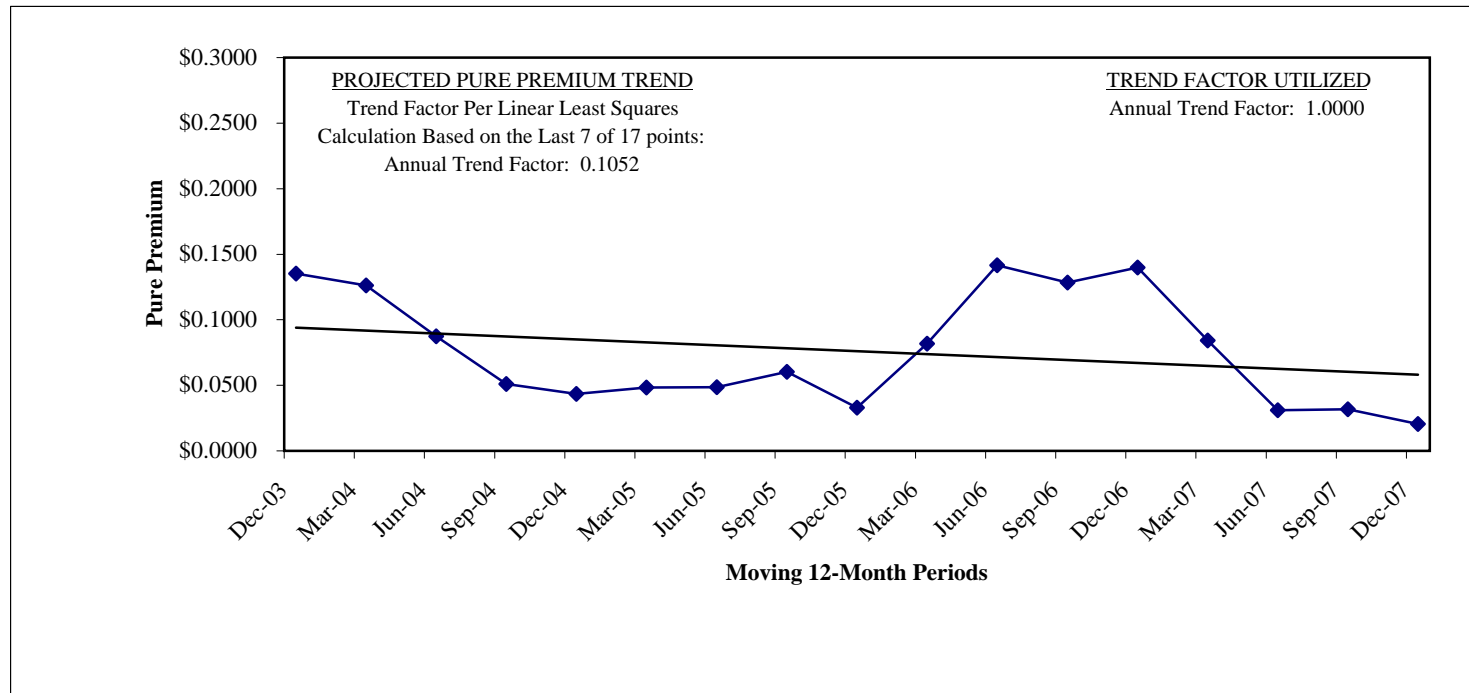


Note: Incurred claims expense per contract month is calculated with all periods adjusted to the 1/1/03 provider fee level.

Schedule 28

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PLAN 65 MEDIGAP AND PLAN 65 SELECT

FOREIGN TRAVEL EMERGENCY: HISTORICAL PURE PREMIUM VALUES AND
PROJECTED PURE PREMIUM TREND



Note: Incurred claims expense per contract month.

Schedule 29

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
POINT VALUES UTILIZED IN DEVELOPMENT OF UTILIZATION/MIX TRENDS
PLAN 65 MEDIGAP AND PLAN 65 SELECT

12-Month Moving Incurred Period Ending	Part A Deductible (A)	Part A Copayments (A)	Skilled Nursing Facility Copayment (A)	Part B Deductible (A)	Part B Copayment (A)	Foreign Travel Emergency
Dec-03	\$19.7442	\$1.2934	\$16.9840	\$7.7414	\$64.5968	\$0.1353
Mar-04	\$19.8593	\$1.3286	\$16.8125	\$7.4322	\$66.2368	\$0.1263
Jun-04	\$19.9723	\$1.4334	\$17.2579	\$7.4501	\$67.3628	\$0.0875
Sep-04	\$19.7879	\$1.5131	\$17.7100	\$7.5253	\$68.6470	\$0.0509
Dec-04	\$19.6985	\$1.4960	\$18.6558	\$7.6018	\$69.3579	\$0.0434
Mar-05	\$20.0824	\$1.5373	\$18.4877	\$7.4483	\$70.5868	\$0.0484
Jun-05	\$19.9931	\$1.4207	\$18.8722	\$7.5536	\$70.8481	\$0.0485
Sep-05	\$20.3062	\$1.4839	\$18.6734	\$7.7337	\$71.5840	\$0.0602
Dec-05	\$20.3199	\$1.7282	\$18.3874	\$7.9151	\$72.2679	\$0.0330
Mar-06	\$20.0316	\$1.8944	\$18.9537	\$7.6616	\$71.9602	\$0.0818
Jun-06	\$20.2699	\$1.8339	\$18.6719	\$7.6967	\$72.5474	\$0.1416
Sep-06	\$20.2503	\$1.6071	\$19.1122	\$7.7740	\$71.7213	\$0.1285
Dec-06	\$20.2509	\$1.4416	\$18.4859	\$7.8504	\$71.9743	\$0.1399
Mar-07	\$20.2032	\$1.1378	\$17.9269	\$7.7739	\$72.5567	\$0.0843
Jun-07	\$20.1126	\$1.0629	\$17.7905	\$7.7823	\$73.2153	\$0.0309
Sep-07	\$19.8452	\$1.0518	\$17.2382	\$7.8278	\$74.4436	\$0.0318
Dec-07	\$19.6363	\$1.0130	\$17.2804	\$7.8579	\$74.5609	\$0.0205

(A) All periods adjusted to the 2003 benefit level.

Schedule 30

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
PROJECTION OF CALENDAR YEAR 2009 AND CALENDAR YEAR 2010
ADMINISTRATIVE EXPENSE PER CONTRACT MONTH
TOTAL PLAN 65

	(1)	(2)	(3)	(4)
	<u>1/1/09 - 12/31/09</u>		<u>1/1/10 - 12/31/10</u>	
	<u>Dollars</u>	<u>Dollars per</u> <u>Contract Month</u>	<u>Dollars</u>	<u>Dollars per</u> <u>Contract Month</u>
	(A)	(B)	(C)	(D)
Administrative Expenses	\$6,551,532	\$20.6600	\$6,878,280	\$21.6904

(A) Per the projected calendar year 2009 Total Plan 65 budget.

(B) Derived from the projected calendar year 2009 Total Plan 65 budget divided by the projected calendar year 2009 contract months of 317,112.

(C) Per the projected calendar year 2010 Total Plan 65 budget.

(D) Derived from the projected calendar year 2010 Total Plan 65 budget divided by the projected calendar year 2010 contract months of 317,112.

Schedule 31

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
RECONCILIATION OF CALENDAR YEAR 2007
CLAIMS EXPENSE TO ANNUAL STATEMENT
TOTAL PLAN 65

INCURRED CALENDAR YEAR 2007 CLAIMS EXPENSE:

1.	Non-Group Claims Expense Included in the Rate Filing:	
1a.	Plan 65 Medigap A, B, and C Claims Expense	\$24,894,274
1b.	Plan 65 Select B and C Claims Expense	\$7,652,279
2.	Differences Between Actual 2007 Non-Group Claims Expenses and Multi-Year Average Used for Projection Purposes for the Following Benefits:	
2a.	365 Additional Days Claims Expense Adjustment 2007 (A)	\$111,368
2b.	Part A Copay Claims Expense Adjustment 2007 (B)	(\$168,318)
2c.	FTE Claims Expense Adjustment 2007 (B)	(\$10,171)
3.	Non-Group Claims Expense Excluded from the Rate Filing:	
3a.	Plan 65 Select L Claims Expense	\$47,748
3b.	Prompt Payer Interest	\$5
4.	Prospective Group Claims Expense Excluded from the Rate Filing:	\$7,697,072
5.	Difference Between Claim Reserve and IBNR Calculation Method Utilized in this Rate Filing For Incurred CY 2007 Claims Expense (C)	<u>\$93,743</u>
6.	Total	\$40,318,000

ADJUSTMENTS IN 2007:

7.	Claim Reserve Adjustment to Incurred Claims Expense for CY 2006 and Prior Made During 2007	\$494,000
8.	Change in Claim Reserve Margin from December 2006 to December 2007	(\$29,400)
9.	Financial Statement Accounting Adjustments	(\$44,018)
10.	Other Adjustments	(\$23,747)

ADJUSTMENTS IN 2008:

11.	Claim Reserve Adjustment to Incurred Claims Expense for CY 2007 Made Through April 2008	\$915,000
12.	Annual Statement (D)	<u>\$41,629,835</u>

(A) Actual expense for claims incurred during 2007 was replaced with the average of the 2003 through 2006 incurred claims expense per contract for that benefit projected to 2007 then multiplied by the 2007 contracts.

(B) Actual expense for claims incurred during 2007 was replaced with the average of the 2004 through 2006 incurred claims expense per contract for that benefit projected to 2007 then multiplied by the 2007 contracts.

(C) The claim reserve liability reflected in the Annual Statements is calculated for all benefits in aggregate. The incurred claims expense utilized in this rate filing is calculated separately for each benefit.

(D) Per Part 2 of the Underwriting and Investment Exhibit, Column 3, Line 12.4 on page 9 of the 2007 Annual Statement as filed with the Department of Business Regulation on March 1, 2008.

Actuarial Summary
for Required Rates in Plan 65 Non-Group Filing
For February 1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles

➤ **General Methodology**

The methodology for rating Plan 65 has several different components. This actuarial summary will describe the processes for calculating the Plan 65 required rates for our Medigap and Select plans. References to specific schedules in the rate calculations are underlined. Generally, the schedules work from back to front in the development of the required rates.

The required rate per contract per month (PCPM) for every Medigap and Select plan consists of two parts. These parts are the projected claims expense, or projected pure premium, and the retention components. The retention components encompass the administrative expenses, system replacement expenses, Investment Income Credit, contribution to corporate reserve, federal taxes, and state taxes. The projected pure premium is calculated by projecting the claims expense for each benefit into the rate year through the use of projection factors and adding the appropriate benefit components together to get the total projected pure premium for each plan. The projected pure premium is added to the retention components to obtain the required rate. Then, the required rate is divided by the present weighted average subscription income to produce the required rate adjustment factor. The present rates within each rate band are multiplied by this factor to derive the required rates for each product. These processes will be described in more detail later in the summary.

The claims base consists of two pools. These pools are the Medigap and Select plans. These two groups are pooled separately to take into account the different risk characteristics of each pool. The Select products have a hospital network constraint (local to Rhode Island) while the Medigap products do not. Medigap and Select also have differing enrollment eligibility guidelines. For these reasons, Medigap and Select are pooled separately. The plans themselves in the Medigap set are pooled together due to the fact that two of the three plans are too small to be fully credible. Enrollment in Plans A and B represent only 2% of the total Medigap enrollment. Similarly, since Select Plan B only represents 1.5% of total enrollment for Select plans, Plan B is pooled with Select C. Because Select L was introduced during the base period utilized, we have decided to exclude its experience from the base.

Pooling the claims in this manner implies that the projected pure premium for a benefit in a given plan is the same as another plan in the same pool. For example, referring to Schedule 10, Columns 7 and 8, the 2009 projected pure premium for the Part A Deductible is the same for Select Plan B and Select Plan C, which is \$0.7884 per contract per month.

The claims base represents calendar year 2007 payment data for all benefits except for the Part A Co-payment, 365 Additional Days, and Foreign Travel Emergency benefits. Due to the erratic nature of these benefits, their pure premiums cannot be projected by normal means. The projection of the Part A Co-Payment and Foreign Travel Emergency benefits uses an average of the 2004 through 2006 pure premiums for Medigap and Select price projected to calendar year 2007. The projection of the 365 Additional Days benefit uses an average of the 2003 through 2006 pure premiums for Medigap and Select price projected to calendar year 2007. These benefits represent only 2.3% of Medigap claims and 1.4% of Select claims. We utilize an extra year of experience for the 365 Additional Days benefit because the nature of this benefit makes it extraordinarily prone to large shock claims. We feel that it is appropriate to use more years of experience in order to mitigate the effects these shock claims have on the experience used for rating.

➤ **Projected Pure Premium**

The projected pure premiums for all plans are calculated by projecting the claims expense PCPM from the base year 2007 into 2008, 2009, and 2010 through the use of composite projection factors. Since rates are effective for February 1, 2009, March 1, 2009, and April 1, 2009 billing cycles, we must project claims to both 2009 and 2010. These composite factors reflect changes in benefits, provider fees, and utilization/mix of services from year to year. For example, according to Schedule 17, Columns 2 through 6, the Medigap Skilled Nursing Facility Co-pay pure premium for calendar year 2007 was \$22.0663, and there was a 3.23% increase in the co-pay itself, no increase in provider fees, and a projected 2.00% increase in utilization. The total increase is projected to be $1.0323 \times 1.0000 \times 1.0200 = 1.0529$. Therefore, the projected pure premium increase is 5.29% and the projected pure premium for the Medigap Skilled Nursing Facility for 2008 is \$23.2336, which is shown in Schedule 17, Column 7. Benefit change factors and their supporting calculations pertaining to Part A benefits and the Part B Deductible can be found in the footnotes of the relevant schedules, while all other supporting calculations pertaining to projection factors can be found in Schedules 20 through 29.

Benefit Changes

Benefit changes reflect the change in Medicare deductibles and co-payments for each benefit in a Medigap or Select plan. In most cases, the benefit change factor is the projection year deductible or co-payment divided by the base year deductible or co-payment. The benefit changes for each benefit are shown below. Medigap and Select have the same benefit changes with the exception of the Part B Co-payment, as explained below.

- Since the Part A Co-payment and Skilled Nursing Facility (SNF) Co-payment are directly proportional to the Part A Deductible, all three benefits will increase at the same rate. Therefore, they share the same benefit change factors. The Part A

Deductible, Part A Co-payment, and SNF Co-payment benefit change factor from base period 2007 to 2008 is 1.0323, based on the Part A Deductible increase per 72 FR 57036 October 5, 2007: \$1,024 (CY 2008) / \$992 (CY 2007). The benefit change factor from 2008 to 2009 is 1.0391, per the 2008 Trustee's Report released on March 25, 2008: \$1,064 (CY 2009) / \$1,024 (CY 2008). The benefit change factor from 2009 to 2010 is 1.0263, per the 2008 Trustee's Report released on March 25, 2008: \$1,092 (CY 2010) / \$1,064 (CY 2009).

- The 365 Additional Days benefit change factor from 2007 to 2008 is 1.0323, the same as the Part A Deductible increase per 72 FR 57036 October 5, 2007. Since the real case-mix adjustment factor is 0%, this is also the payment-weighted average rate increase. The payment-weighted average rate increase is used instead of the total hospital increase since the nature of this benefit implies that mix of services does not significantly impact this benefit (i.e. there are few services for which a member would be hospitalized for more than 150 days, when this benefit would begin to be utilized). The payment-weighted average rate increases for 2009 and 2010 are 1.0288 and 1.0161, respectively. These increases are consistent with the payment-weighted average rate increase assumptions in the Trustee's Report released on March 25, 2008.
- The Part B Deductible benefit change factor for 2008 is 1.0305, per 72 FR 57039 October 5, 2007. The 2009 and 2010 factors are 1.0074 and 1.0662, respectively, per the MEI scenario shown in "Projected Medicare Part B Expenditures under Two Illustrative Scenarios with Alternative Physician Payment Updates," published by the CMS Office of the Actuary on March 25, 2008 in conjunction with the Trustee's Report. This scenario is more realistic than the 10% decrease in physician payments mandated by current law under the sustainable growth formula for 2010. Congress has overridden similar decreases for 2005 through 2009.
- The Part B Co-payment benefit change factor is the estimated decrease in Part B Co-payment claims cost due to the estimated increase in the Part B Deductible and are developed separately for Medigap and Select. This decrease is attributed to the fact that an increase in the Part B Deductible will result in a decrease in the Part B Co-payment, since the co-payments for Part B services are made only after the Part B Deductible is met. This calculation is shown for each benefit change factor on their respective schedules. The Medigap 2008, 2009, and 2010 benefit change factors are 0.9993, 0.9998, and 0.9985, respectively. The Select benefit change factors for 2008, 2009, and 2010 are 0.9992, 0.9998, and 0.9983, respectively.
- There is no change in the Foreign Travel Emergency benefit.

Provider Fees

The provider fees factor represents fee changes in physician services and outpatient services that affect the Part B Co-payment. The physician services fee increases for January of 2008, 2009, and 2010 can be found on Schedule 22, titled “Calculation of Part B Physician Conversion Factor Change Effective January 1, 2008, January 1, 2009, and January 1, 2010.” The physician fees are based on the actual and projected increases in the Part B physician conversion factor. There was a 0.5% increase in physician payments for the first six months of 2008, per the Medicare, Medicaid, and SCHIP Extension Act of 2007 signed into law on December 29, 2007. The 0.5% increase for the first six months of 2008 will remain in place through the remainder of calendar year 2008 due to the Medicare Improvements for Patients and Providers Act of 2008. This law was passed by Congress on July 15, 2008. The Medicare Improvements for Patients and Providers Act of 2008 also increased physician fees by 1.1% for CY 2009. This 1.1% increase is assumed to repeat for 2010.

Payments to physicians under Medicare are also adjusted by region by multiplying it by a Geographical Adjustment Factor (GAF). The change in the GAF for Rhode Island is shown on Schedule 20 of the filing document. As explained in footnote G of Schedule 20, the change in the GAF for 2008 is based on factors found in 72 FR 66548 November 27, 2007. The change in GAF for 2009, as explained in footnote H of Schedule 20, is based on factors found in 73 FR 38830 July 7, 2009. Final comparable factors for 2010 have not yet been published and are assumed not to change.

The institutional services change factor shown on Schedule 20 reflects the expected change in the outpatient services coinsurance cost, and is calculated in detail on Schedule 21. This factor is impacted by the implementation of the Hospital Outpatient Prospective Payment System (OPPS) on August 1, 2000.

The institutional services change factor, the change in the geographical adjustment factor, and the change in the physician conversion factor are weighted together using the base period distribution of BCBSRI-specific payments. The resulting provider fee change for Part B Co-payment is shown on Schedule 20.

- The estimated provider fee change factors effective for Medigap and Select Part B Co-payments beginning January of 2008, 2009, and 2010 are 1.0124, 1.0216, and 1.0099 respectively, per Schedule 20, Column 3.

Utilization/Mix

The utilization/mix trend factor represents the increase in utilization of services from year to year and the changes in the mix of services used. This factor is calculated using trend analysis for each benefit. Five years of claims experience per contract per month is used to create trend lines. Since this factor only measures change in utilization and mix of services, all benefits are converted to their calendar year 2003 price level by dividing out the price factors for each year relative to calendar year 2003. This process is known as

“de-pricing,” and it assures that any changes in pure premium from year to year are attributed only to changes in utilization and mix. Trend lines are fit to sets of data points utilizing the method of linear least-squares, which is a statistical technique for quantifying trend levels. Linear least-squares has been used for calculating trends for past rate filings. The principle of least squares states that the line of best fit to a series of observed values is the line where the sum of the squares of the deviations (the deviations between the line and the actual values) are the minimum or “least” possible. While it is possible to subjectively draw a line that best fits the data, this method provides a completely objective way of drawing that line. Following standard Blue Cross procedures, calculations are made to determine the line that best fit the data points with a minimum of the most recent two years of data (the most recent five data points or more). If there does not exist an r-squared value higher than 0.7 with five or more 12-month moving points, or the data is otherwise not conducive to this test, then actuarial judgment is used to select a trend. Medigap and Select are assumed to have the same utilization trends for each benefit for every year. The trend graphs produced by this method can be found on Schedules 23 through 28. The annual utilization trends are as follows:

- The annual utilization/mix trend factor for Part A Deductible is 1.0000, representing an assumed zero percent increase in utilization. Due to the unreasonableness of the indicated trend, actuarial judgment warrants the replacement of the calculated trend, -3.12% with an r-squared value of 0.9238 and five 12-month moving points, with a trend of 0.00%, or no change. In addition, the negative indicated trend appears to be driven in large part by the last two points, which are typically the least credible. Overall, for the last five years, the utilization for Part A Deductible shows a modest increase.
- The annual utilization/mix trend factor for the Part A Co-payment is 1.0000, representing an assumed zero percent increase in utilization. Due to the unreasonableness of the indicated trend, and the erratic nature of the benefit, actuarial judgment warrants the replacement of the calculated trend, -39.41% with an r-squared value of 0.9266 and eight 12-month moving points, with a trend of 0.00%, or no change.
- The annual utilization/mix trend factor for 365 Additional Days is 1.0000; representing an assumed zero percent change in utilization and mix. This assumption is based on actuarial judgment, due to a lack of sufficient, stable data to evaluate trends, since by their nature these claims are infrequent and can fluctuate widely.
- The annual utilization/mix trend factor for the Skilled Nursing Facility Co-payment is 1.0200, representing a 2.00% increase in utilization. Due to the unreasonableness of the indicated trend, actuarial judgment warrants the replacement of the calculated trend, -8.04% with an r-squared value of 0.9284 and six 12-month moving points, with a trend of 2.00%, or no change. Although the Skilled Nursing Facility Co-payment utilization trend appears to be moderating,

the large negative indicated trend is driven by the most recent points. Thus, we feel that this trend is unlikely to continue. The 2.00% assumed utilization trend represents a reasonable compromise between recent experience and the utilization trend used in last year's filing.

- The annual utilization/mix trend factor for the Part B Deductible is 1.0000; representing an assumed zero percent change in utilization and mix. Actuarial judgment is warranted by the cyclical nature of this benefit. This is due to the fact that the Part B Deductible is relatively small and usually met in the beginning of the year by most subscribers, resulting in a non-linear payment pattern.
- The annual utilization/mix trend factor for the Part B Co-payment is 1.0393, representing a 3.93% increase in utilization and mix. This increase is based on the calculated regression trend with an r-squared value of 0.9581 and five 12-month moving points.
- The annual pure premium trend factor for the Foreign Travel Emergency benefit is 1.0000, which represents an assumed zero percent change in pure premium. Due to the erratic nature of this benefit and the unreasonableness of the indicated trend, actuarial judgment warrants the replacement of the calculated trend, -89.48% with an r-squared value of 0.8801 and seven 12-month moving points, with a trend of 0.00%, or no change.

Once the benefit change, provider fee, and utilization/mix factors have been obtained, they are multiplied together to get the composite projection factor. The composite projection factor represents the overall increase in the pure premium for each benefit from year to year, as shown on Schedules 15 through 17 and Schedules 9 through 11 for Medigap and Select, respectively. After the pure premium for each benefit has been projected into calendar years 2009 and 2010, these projected values are aggregated to obtain the total projected pure premium for each benefit plan for calendar years 2009 and 2010. Since the rate year contains months in both calendar years 2009 and 2010, the pure premium for each of the two years is then weighted by the number of months in each calendar year. Subsequently, the pure premiums for the three billing cycles are weighted by the enrollment in each billing cycle, yielding the projected pure premium for the rating year. These computations are shown on Schedules 14 and 8 for Medigap and Select, respectively.

Since Select Plan L was only offered beginning February 2007, it does not contain sufficient claims experience for rating purposes. Therefore, the combined claims experience from Select Plan B and Select Plan C was utilized. The pure premium for Select Plan L is calculated using the projected claims for Select plans adjusted for benefit differences. For example, since Plan L covers the Skilled Nursing Facility co-payment at 75%, the projected pure premium for the Skilled Nursing Facility co-payment is multiplied by a factor of 0.75. This amount is then adjusted by a "benefit richness" factor. The benefit richness factor, which is 0.9750, represents the decrease in utilization

that is expected with a decrease in benefits. The actuarial support for this assumption is in the letter from James A. Dunlap, F.S.A., M.A.A.A., dated May 19, 2006 submitted with the Plan 65 Non-group Rate Filing effective February 1, 2007. Finally, since this plan includes an out of pocket maximum, the amount of claims expected to be incurred above the out of pocket limit is included as an additional benefit component. Similar to the other benefit plans, the benefit components covered by the Select Plan L benefit design are aggregated to arrive at the projected pure premium.

➤ **Retention**

The retention component of the required rate is made up of four parts; the administrative expenses, system replacement expenses, Investment Income Credit, and Contribution to Reserve/Tax.

The administrative expenses represent our expected costs for administering the Medigap and Select products during the rate year. The projected costs for calendar years 2009 and 2010 are shown on Schedule 30. Similar to the claims expense, these calendar year administrative expenses must be weighted together to convert them to expected costs during the rate year. These calculations are shown on Schedules 14 and 8 for Medigap and Select, respectively. The administrative expenses during the rate year for Medigap and Select are \$20.8207 and \$20.8029 PCPM for Medigap and Select, respectively.

The system replacement expenses represent expenses associated with the core computer system replacement project (i.e. TriZetto Facets) that will replace the current LSRP system. These expenses are intended to recoup, over a fifteen year period beginning in 2008, extraordinary expenses necessitated by the installation of the new BCBSRI core operational computer system. BCBSRI is collecting an assessment of 0.33% of premiums from all lines of business, including Plan 65. Thus, 0.33% of the Plan 65 Non-group rates effective February 1, 2009 will contribute toward these expenses.

The Investment Income Credit component represents the reduction of the required subscription income PCPM due to the anticipated return on invested funds. This credit is calculated by looking at the contingency reserves, prepaid subscriptions, and claim reserves and is applied as a percentage of the projected pure premium plus the administrative expenses per contract per month. This percentage is calculated to be 1.16%.

The Contribution to Reserve/Tax factor of 0.9575 represents a 2% reserve contribution plus an additional 2.25% to account for federal income taxes (0.5%) and the state premium tax (1.75%). A state premium tax of 1.1% was originally passed on June 21, 2007, and was increased to 1.75% by the RI General Assembly on June 26, 2008. This factor would produce a 2% contribution to reserve on a post-tax basis. An updated financial forecast analysis concluded that the continued use of reserve contribution factors currently approved by OHIC will cause BCBSRI surplus levels (as a percentage of premium) to gradually erode later this year. By 2010, this erosion will cause surplus

levels to fall below 23% of annual premium, which is the minimum of the BCBSRI surplus range recommended by the Lewin report. A 2% contribution to reserve will also allow us to meet the Risk-Based Capital requirements mandated by Blue Cross and Blue Shield Association. For these two reasons, a 2% contribution to reserve is necessary to maintain appropriate reserve levels. The resulting rate components for Medigap and Select are shown on Schedules 13 and 7 respectively.

The administrative expenses, system replacement expenses, investment income, taxes, and reserve contributions components cover the retention portion of the required rate.

➤ **Required Rate Adjustment Factor**

The projected pure premium plus the retention portions yield the required rates. The required rate adjustment factor for a given plan is calculated as the required subscription income divided by the present weighted average subscription income.

The present rate of income (PRI) for each plan is calculated first by dividing the total Plan 65 PRI at April 2008 without age-in credit divided by the total Plan 65 PRI at April with age-in credit. This divisional factor is then applied to the PRI without age-in credit for each plan to yield the PRI used for rating purposes. This process ensures an equitable distribution of Age-in credit savings for rating purposes. This calculation can be found on Schedule 19. It is important to note that this process does not change the overall required rate increase, but simply distributes the impact of the existing age-in rates evenly across all plans.

The methodology of using weighted average present rates to calculate required rate adjustment factors is one that is commonly used in the insurance industry to set appropriate premium levels. The weighted average present rate method discussed above recognizes the age-in discounts already being received by members but does not make any projection for future enrollment growth. Any failure to recognize these premium discounts when setting premium rates would make the age-in credit program unsustainable.

After calculating the PRI, the required rate is divided by the PRI for each plan yielding the rate adjustment factor for each plan. The rate adjustment factor represents the required increase to the present rates. This factor is multiplied by the present monthly subscription rates in each plan to derive the required monthly subscription rates.

➤ **Conclusion**

In conclusion, the pure premium and retention portions of each Medigap and Select plan comprise the total rate for this year's rate filing. The pure premium is projected from calendar year 2007 to 2008, 2009, and 2010 using factors accounting for benefit changes, provider fees, and utilization/mix. The pure premiums for calendar years 2009 and 2010

are then converted to the rate year pure premium. The retention components encompass our expected administrative expenses, system replacement expenses, investment income credit, and reserve contribution and tax liability. The sum of these components yields the required subscription income. The required subscription income divided by the adjusted present rate of income yields the required rate adjustment factor for each plan. That factor is then applied to each plan individually to yield the required rates for each product.

➤ **Affordability Update**

With the filing effective February 1, 2007, two initiatives were introduced in order to address affordability for the Plan 65 Non-Group line of business. These initiatives were the Age-in credit and the new Select L offering.

Age-in Credit

The Age-in Credit was introduced in the Plan 65 Non-Group rate filing effective February 1, 2007 in order to moderate future claims trends by attracting younger members. The program gives members who enroll in Plan 65 within the first six months of Medicare Part B eligibility discounts on their rates for the first three years of their enrollment. The first, second, and third year discounts are 30%, 20%, and 10% respectively. After the third year, the member pays the full premium associated with their plan. The Age-in Credit is only applicable to Medigap A, Medigap C, Select C, and Select L plans, since Medigap B and Select B are closed to new enrollment.

Since the program has not yet fully matured, is still too early to tell whether or not this program has indeed lowered the claims base for Plan 65 Non-Group. However, the increase in age-in enrollment has been encouraging, and utilization trends have been moderating since the previous filing. Whether or not this moderation can be attributed to the introduction of the age-in program remains to be seen.

There are currently approximately 2,100 members currently enrolled in the age-in program as of June 2008, many of who were retroactively enrolled. The retroactive enrollment consists of members that became eligible for Medicare Part B between August 1, 2006 and January 31, 2007, but had enrolled in a Medigap plan prior to the February 1, 2007 filing, when the discount was introduced. These members were made eligible for the age-in discount since they could have theoretically waited until February 1, 2007 to enroll and still been within 6 months of Medicare eligibility. This policy was adopted so that the responsible members who enrolled in supplemental health insurance as soon as they were eligible would not be unfairly disadvantaged. We shall continue to monitor this program and its impact on Plan 65 enrollment growth.

Select L

Also introduced in the Plan 65 Non-Group rate filing effective February 1, 2007 filing was the Select L product. Select L is differentiated from our other Medigap offerings by its higher cost sharing, lower required premiums, and an annual out-of-pocket limit. The Part A portion of Plan L pays 75% of the Part A Deductible for days 1-60 of a hospital stay, 100% of the Part A Co-payments for days 61-150 of a hospital stay (while Lifetime Reserve Days are being used), and up to 365 fully paid Additional Hospital Days after all other Medicare hospital benefits have been depleted. However, since this product is being offered with our Select network, members will not be required to pay their portion of the Part A Deductible when they utilize network hospitals. Also, emergency hospital services are covered in full, regardless of provider. The Co-payment for Skilled Nursing Facility is covered at 75%. The Part B portion of Plan L pays 75% of the Medicare Part B coinsurance after the Part B Deductible has been met and it pays 100% of the coinsurance for Part B preventative services. Plan L also pays 75% of the cost sharing for hospice care. Finally, Plan L has an annual out-of-pocket (OOP) limit of \$2,220. While the OOP limits for 2009 and 2010 have not yet been published, they are expected to increase from 2008 to 2009 and 2009 to 2010 due to inflation. As of June 2008, there are 126 members enrolled in our Select L product.

We believe that the Select L product provides an opportunity for members to significantly reduce the out-of-pocket costs they would incur under traditional Medicare for a reduced premium compared to our other Medigap offerings. In addition, the out-of-pocket maximum provides piece of mind by offering catastrophic coverage. However, since this plan includes some member cost-sharing, we expect that this cost-sharing will encourage members to utilize services more appropriately than they otherwise would have in a richer plan. Finally, this plan is open year-round to new members without imposing a medical screening. This policy will allow more members to take advantage of our favorable provider contracts under our Select network.

Changes in Product Eligibility Guidelines

Finally, Blue Cross modified the eligibility guidelines for enrollment in its Plan 65 products to allow subscribers easier access to our Select C product. Effective February 1, 2007, Blue Cross subscribers who have been enrolled in a Medigap plan for twelve months or more can transfer to our Select C product at the Standard rate without having to pass a medical underwriting health screening. This allows existing members to lower their premium rate while maintaining the same level of benefits by taking advantage of hospital network savings under our Select network. In addition, our Medigap Plan A and Select Plan L products remain open year round to new enrollees.

Blue Cross & Blue Shield of Rhode Island

Trend and Comparison Supplement
Submitted in Conjunction with Plan 65 Non-Group Rate Filing Effective February
1, 2009, March 1, 2009, and April 1, 2009 Billing Cycles
August 15th, 2008

I. Historical Rates of Trend for Existing Products

The following table illustrates the latest trend factors that were filed and approved for Plan 65 Non-Group for the respective year/benefit category. Also shown at the bottom of the table is historical actual Plan 65 claims PMPM trends for calendar years 2004-2007 and year to date 2008.

<i>Category</i>	<i>2004/2003</i>	<i>2005/2004</i>	<i>2006/2005</i>	<i>2007/2006</i>	<i>2008/2007</i>	<i>2009/2008</i>
Part A Deductible	1.0569	1.0411	1.0605	1.0537	1.0601	1.0618
Part A Copay	1.0238	1.0411	1.0439	1.1514	1.1585	1.1603
365 Add'l Days	1.0254	1.0330	1.0370	1.0340	1.0385	1.0403
Skilled Nursing Facility	1.0544	1.0967	1.1018	1.0773	1.0839	1.0856
Part B Deductible	1.0000	1.0976	1.1273	1.0565	1.0840	1.0282
Part B Copay	1.0708	1.0646	1.0419	1.0345	1.0358	1.0373
Foreign Travel Emergency	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Composite Trend	1.0611	1.0669	1.0579	1.0441	1.0520	1.0495
Historical Actual	1.1180	1.0854	1.0231	1.0083	1.0559⁽¹⁾	N/A

(1) The trend shown is calendar year to date May 2008 over year to date May 2007.

The table below illustrates BCBSRI's filed trends versus those illustrated in recent industry surveys:

<i>Source</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
BCBSRI MediGap Trends (from above)	7%	7%	6%	5%	6%
Oliver Wyman Survey Median Trend ⁽¹⁾	8%	7%	6%	7%	7%
Aon Consulting Survey Trend ⁽²⁾	N/A	11%	11%	9%	8%
National Health Care (Buck) Survey Trend ⁽³⁾	8%	8%	7%	7%	N/A

(1) Oliver Wyman Survey trend represents the median pricing trend at January of each year from industry surveys. From *January 2008 Oliver Wyman Carrier Trend Report 2008.1 Analysis*. Note: formerly known as Mercer Oliver Wyman.

(2) Aon Consulting trend represents the national average predicted increase in claims cost. From *Fall 2007 Health Care Trend Survey*.

(3) National Health Care trend represents the weighted average trend from participating insurers. From *Second Half 2007 National Health Care Trend Survey* provided by Buck Surveys.

The Oliver Wyman, Aon, and Buck trend surveys were the only trend surveys readily available at the time of this filing that tracked Medicare supplemental trends separately from other medical trends. As can be seen in the table above, the rating trends used by BCBSRI are mostly in line with actual observed trends and are at or below the average rating trends used in the industry for Medicare Supplemental business. Blue Cross & Blue Shield of Rhode Island is committed to containing the increase in claims costs in all its lines of business. Due to the fact that Plan 65 is supplemental to Medicare, BCBSRI does not have the ability to “manage” claims like in other lines of business. However, to help dampen cost escalations in this product line, in our non-group Plan 65 rate filing effective February 2007, BCBSRI introduced rate credits for non-group members who enroll when they are newly eligible for Medicare. The goal of this program is to encourage more growth in enrollment for the younger age categories and reduce the average age of the pool. Over time this program should moderate increases in the average claims expense. While the program is still young, the returns so far have been encouraging.

II. Price Comparisons to Other Market Rates for Similar Products

A. Comparison of Premium Rates (Medigap)

The following table compares premium rates for individual Medigap plans available in Rhode Island. Although the rating structure of the various Medigap plans available in Rhode Island vary significantly, rates for BCBSRI compare favorably for most age and gender categories. In addition, BCBSRI recently launched a new Select L product, which offers basic coverage at a lower premium rate than other Medigap plans.

Company	Rating Category	Medigap A	Medigap C	Select C	Select L ⁽⁶⁾
BCBSRI ⁽¹⁾	Age-in Base	\$84 \$120	\$133 \$191	\$86 \$122	\$70 \$100
AARP Health Care Options ⁽²⁾	Age-in Base Tier I Tier II	\$72 \$103 \$113 \$154	\$113 \$161 \$177 \$241	\$85 \$122 \$134 \$183	\$66 \$94 \$104 \$141
Bankers Life/Casualty ⁽³⁾	Age 65 Age 70 Age 75 Age 80	\$135 \$157 \$157 \$187	\$305 \$355 \$355 \$436	N/A	N/A
Global Life/Accident ⁽³⁾	Age 65 Age 70 Age 75 Age 80	\$72 \$96 \$103 \$103	\$121 \$150 \$176 \$183	N/A	N/A
Mutual of Omaha ⁽⁴⁾	Age 65 Age 70 Age 75 Age 80	\$119F \$136M \$141F \$162M \$164F \$189M \$189F \$217M	\$145F \$166M \$171F \$198M \$200F \$230M \$230F \$265M	N/A	N/A
United American Life ⁽⁵⁾	Age 65 Age 70 Age 75 Age 80	\$146 (I) \$168 (I) \$158 (I) \$158 (I)	\$195 (A) \$227 (A) \$254 (A) \$269 (A)	N/A	N/A

(1) First year age-in rate applicable to new members enrolling within six months of eligibility for Medicare Part B as primary payer. Base rate applies after 3-year age-in credit program is phased out.

(2) First year age-in rate applicable to new members enrolling within 3 years of initial Medicare Part B effective date or 65th birthday. Member pays applicable base rate after 10-year discount program is phased out. Base rate applies to members enrolling more than 3 years and less than 6 years after initial Medicare Part B effective date who pass a health screening. Tier I rates apply to members who enroll after 6 years of initial Medicare Part B effective date and pass a health screening. Tier II rates apply to members enrolling more than 3 years after initial Medicare Part B effective date who do not pass the health screening.

(3) Rates vary based on attained age.

(4) Rates vary based on attained age and gender.

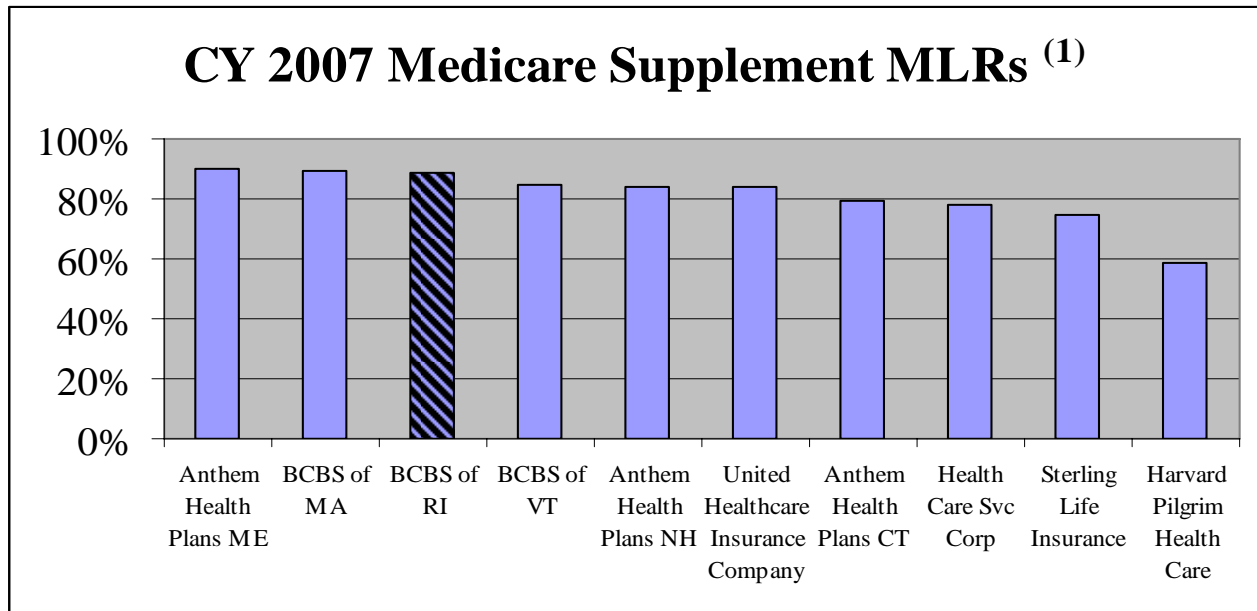
(5) Rates vary based on attained age (A) and issue age (I)

(6) AARP Health Care Options Rates shown are for Plan L, which has no network constraint.

B. Comparison of Medical Loss Ratios (Medigap)

The following chart shows a comparison of medical loss ratios for CY 2007 for regional plans offering Medigap coverage. It shows BCBSRI as having the third highest medical loss ratio. This implies that relative to premium paid, BCBSRI Plan 65 members received one of the greatest benefit values.

BCBSRI's strategy with regards to medical loss ratios is to target an amount equal to 100% less the targeted contribution to reserve, administrative expenses, system replacement expenses, and applicable taxes. Provided that our administrative expenses and contribution to reserve targets remain in-line and/or lower than the other carriers, our medical loss ratios should remain in the upper half of this comparison.



(1) Based on NAIC annual statements for Medicare Supplement business.

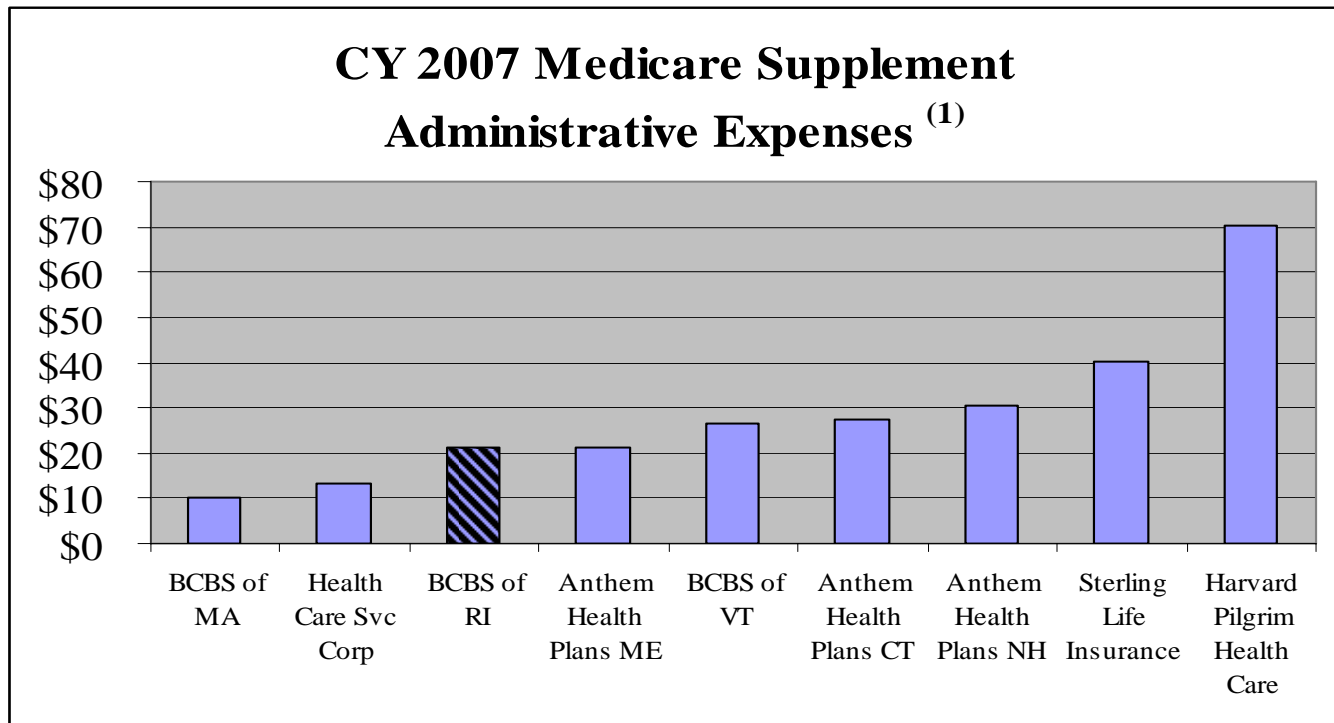
C. Comparison of Administrative Costs (Medigap)

Blue Cross & Blue Shield of Rhode Island takes actions to control our operating expenses both during the budget setting process and during the year. The process recognizes that prudent decisions must be made balancing the desire to control operating expenses with the need to limit increases in benefits expense:

- The budget process includes a comparison of our operating expenses compared to other insurers operating in the New England Region.
- Proposed new initiatives are evaluated for their return on investment prior to determining what new activities will be undertaken.
- Expense management is an ongoing process. The management of each division has been directed to manage their operations within their budget while achieving the operational goals of the organization. Failure to meet this goal will be considered in the employee evaluation process. Expense management has also been incorporated as a component of the Executive and Employee incentive plans.

The following chart shows a comparison of administrative costs (on a pmpm basis) for Medigap coverage between the regional plans. It shows Rhode Island as being the third lowest amongst the nine plans. Only the much larger Massachusetts plan and Health

Care Services Corporation (which has a minimal presence in New England) is lower than BCBSRI. The results of this comparison suggest that BCBSRI's budgeting process for this market segment has been an effective cost control mechanism. Note that the inter-company expense comparison provided below is made on a dollar basis rather than a percent of premium basis because it avoids distortions that would otherwise be introduced by benefit design and prevailing medical cost differences among carriers.



(1) Based on NAIC annual statements for Medicare Supplement business. Please note that since United Healthcare Insurance Company is a life and health company, administrative expense information is not available on NAIC annual statements.

III. Trends by Service Category

The following table illustrates the overall trend factors by type of service applicable to this rate filing for Plan 65 Non-Group renewals for February 1, 2009, March 1, 2009, and April 1, 2009 billing cycles:

<i>Category</i>	<i>2008 Trend Factor</i>	<i>2009 Trend Factor</i>	<i>2010 Trend Factor</i>
Part A Deductible	1.0323	1.0391	1.0263
Part A Copay	1.0323	1.0391	1.0263
365 Add'l Days	1.0323	1.0288	1.0161
Skilled Nursing Facility	1.0529	1.0599	1.0468
Part B Deductible	1.0305	1.0074	1.0662
Part B Copay	1.0515	1.0615	1.0480
Foreign Travel Emergency	1.0000	1.0000	1.0000
Weighted Total	1.0449	1.0537	1.0458

2009 Plan 65 Budget Narrative

The following provides a breakdown of calendar year 2009 administrative expenses by natural expense account for the Plan 65 products. These expenses are extrapolated to a per contract per month charge that is used in the development of the Plan 65 direct rates. This methodology provides the direct Plan 65 subscriber with the benefit of lower operating expense charges since they are afforded economies of scale that occur with the group business. The following narrative explains the Plan 65 administrative expenses by specific account.

Salaries & Wages/Temporary Services

Salaries, bonuses, overtime pay and outside temporary services are included in this natural expense account. The following departments are included in the 2009 Plan 65 budget with the allocation based on the nature of the work performed:

Customer and Provider Services (6.3 FTEs, salaries \$264,036) staff responds to questions from members and providers regarding benefit coverage, payment status, eligibility and various other issues.

Individual Sales/Other Marketing Areas - Individual Sales (2.9 FTEs, salaries \$160,449) sells the Plan 65 product to the non-group market. Staff members are responsible for answering all inbound calls as they relate to the Plan 65 product. This department is responsible for prospecting and contacting interested Rhode Island residents as they attain age 65 and other residents who inquire about the product. The process includes a thorough explanation of covered services, plan limitations, enrollment guidelines and benefits associated with the Plan 65 product. Department representatives also conduct educational meetings to promote general awareness of the product.

Government Programs Unit (0.3 FTEs, salaries \$32,907) is responsible for the development, implementation and ongoing management of the Plan 65 products. The following activities are performed within this unit:

- development and implementation of features and/or services that will make the product more competitive.
- development and maintenance of all Plan 65 sales and member materials.
- regular briefings of internal operating areas on Plan 65 benefits and administration.
- investigating and resolving any service and/or operational issues related to benefit design.

Senior Accounts/Forecasting (1.3 FTEs, salaries \$92,441) is responsible for the computation of rates and supporting schedules for the Plan 65 rate filing as well as ongoing monitoring of trends and rate adequacies. The department also reviews large Plan 65 claims to ensure that payments are compliant with product policies.

2009 Plan 65 Budget Narrative

Statistical (0.1 FTEs, salaries \$3,987) is responsible for the pricing of product benefits, providing detailed enrollment analysis as well as trend analysis and other studies.

The remaining **Actuarial/Underwriting** departments (0.1 FTEs, salaries \$8,828) include Plan 65's allocation of the cost related to forecasting, development of claims reserves, regulatory reporting and rate filings.

Cash Receipts (1.1 FTEs, salaries \$44,605) processes the individual premium payments made by subscribers. The process includes opening the mail, scanning the remittance, depositing the checks and posting the payments to the subscriber's account.

The remaining departments in **Finance** (1.1 FTEs, salaries of \$85,082) are responsible for rate filing activities and day to day financial activities necessary to run the business. The rate filing activities include the development of operating expense budgets and responding to Attorney General data requests. Plan 65 is also allocated a share of day to day financial activities such as: Accounts Payable, Payroll, Corporate Accounting, etc.

Information Technology/Governance (2.0 FTE's, salaries \$215,284) encompasses the following functions:

- Project management oversees the assignments relating to Plan 65, and limits cost overruns for projects directly relating to Plan 65 and those indirectly benefiting Plan 65 (e.g. data center relocation, BCBSA mandates, and other BCBSRI initiatives).
- Governance of the Perot outsourcing agreement relating to membership and claims processing functions for Plan 65, ensuring that members are enrolled accurately and timely and that claims are processed according to standards.
- Web site development and maintenance enhances the BCBSRI web site allowing Plan 65 members access to obtain information relating to specific health and wellness topics.

Communications Services (0.8 FTEs, salaries \$62,917) prepares Plan 65 benefit summaries, provider directories and various other corporate communications initiatives (e.g. Choices Magazine, Depression Manuals, Senior Health Brochures, etc.).

Quality Assurance & External Audits (0.4 FTEs, salaries \$21,096) performs claims audits, reports on numerous performance measures required by the Blue Cross Blue Shield Association, and coordinates activities for external audits. These audits ensure that Plan 65 members are enrolled on a timely basis and their claims are paid properly and in a timely manner.

The **Legal** department (0.2 FTEs, salaries \$21,208) provides guidance on contracts, reviews subscriber agreements and works with outside counsel on Plan 65 rate filings and general litigation.

2009 Plan 65 Budget Narrative

Human Resources (0.4 FTEs, salaries \$31,370) performs all employee recruitment and is responsible for administering compensation, benefits, and training for all employees. The work in this department impacts all employees who work on Plan 65 activities.

Staff time assisting in the transition **to the FACETS claims system** (from LRSP) will allocate \$141,819 (1.6 FTEs) to Plan 65. This important system upgrade will benefit all products by providing a state of the art claims processing system.

Information Assurance (0.5 FTE's, salaries \$44,937) implements and oversees all aspects of information security relating to protecting information **and** information systems from unauthorized access, use, disclosure, disruption, modification, or destruction.

Grievance & Appeals (0.3 FTEs, salaries \$17,279) responds to appeals from Plan 65 members (92 Plan 65 appeals were received in 2007.)

Office Services (0.4 FTEs, salaries \$23,489) is responsible for management of facilities, the internal print shop and mail delivery, benefiting those employees who work on Plan 65.

Internal Audit (0.2 FTEs, salaries \$16,195) is responsible for the review of BCBSRI internal controls, payment processes and systems audits.

Corporate Compliance (0.2 FTEs, salaries \$17,392) develops and enforces the corporate compliance program.

Expenses for **Corporate Executives, Legislative Affairs, Community Relations, Contracting, General Corporate Expenses, and Medical Management** are corporate in nature and are allocated to all product lines and market segments resulting in a charge to Plan 65 of \$171,987 (0.6 FTEs).

2009 Plan 65 Budget Narrative

The succeeding chart provides a comparison for the Full Time Equivalents allocated to Plan 65 with the total staff in each department.

	Full Time Equivalents	
	Plan 65	Total
Customer & Provider Services	6.3	207.0
Individual Sales	2.6	16.0
Other Marketing Areas	0.3	80.0
Government Programs Unit	0.3	5.0
Senior Accounts/Forecasting	1.3	8.0
Statistical	0.1	28.0
Actuarial/Underwriting	0.1	40.0
Cash Receipts	1.1	14.5
Finance	1.1	52.5
Information Technology/Governance	2.0	88.5
Communications Services	0.8	26.0
Quality Assurance & External Audits	0.4	21.0
Legal	0.2	34.0
Human Resources	0.4	18.0
Claims System Replacement	1.6	28.0
Information Assurance	0.5	11.0
Grievance & Appeals	0.3	27.0
Office Services	0.4	19.0
Internal Audit	0.2	9.0
Corporate Compliance	0.2	11.0
All Other	0.6	280.0
TOTAL	20.8	1,023.5

Fringe Benefits

Fringe benefits are generally charged to cost centers based on the costs incurred at the employee level. These costs are then allocated to product lines in the same manner as the employees' salaries and wages. The specific components of fringe benefits are outlined below.

Payroll Taxes

FICA, Federal & State Unemployment, Medicare taxes paid on salaries and wages referenced above. For the purposes of this computation, we assumed that the tax rates will remain constant and maximums will move in relation to the salary increases.

Health Insurance

The Health Insurance expense includes:

- Comprehensive group health coverage for individual and families
- Group Dental coverage with an annual \$1,200 maximum
- Basic Life Insurance & Accidental Death & Dismemberment
- Post Retirement Medical Benefits for employees that were hired prior to January 1, 1992 and retire after age 55 after attaining minimum service requirements.

2009 Plan 65 Budget Narrative

Pension

Expenses within this category include:

- Regular Pension - The Retirement Plan is a Defined Benefit Plan which provides a monthly retirement benefit to eligible participants at normal retirement, age 65 (full benefit) or at early retirement, age 55 to 64 (actuarially reduced benefit.) Vesting occurs in the Retirement Plan upon the completion of five plan years of service. Expenses are calculated in accordance with Financial Accounting Standard (FAS) #87.
- Supplemental Executive Retirement Plan (SERP) provides benefits to employees (vice presidents and above) who have been designated as eligible by the Board of Directors vote. Vesting requirements of at least 5 years at age 55 or 15 years of services at any age prior to 55 are necessary prior to payment of any benefits. Expenses are determined in accordance with FAS #87.

Fringe -Other

This category of expense includes:

- Money Match Employee Savings Plan. The expenses associated with this 401k program reflect the employer match costs (50% on employee pre tax contributions up to 6%) and the costs associated with Massachusetts Mutual's administration of the program.
- Employee Long Term Disability Insurance provides the employee with partial disability insurance in the event of total disability.
- Workers Compensation Insurance.

Outside Services

Outside Services are external personnel (excluding lawyers) engaged to provide expertise or services that are not available from the existing staff, or to handle project work. The projected 2009 allocation to Plan 65 is \$306,843. Major expense inclusions are noted below:

- **State of Rhode Island Fees** – Attorney General Fees associated with Plan 65 filing are projected to be \$168,117.
- **Information Assurance** – Outside professional services will be utilized for Audit Remediation and enhancements to IT security of which we expect to charge \$26,876 to Plan 65.
- **Communications Services** – The cost reflects the services provided by Rivers Doyle & Walsh (\$21,590) for Public Relations and Advertising.

2009 Plan 65 Budget Narrative

- **Product Marketing** – Outside services are utilized to conduct market research and customer satisfaction surveys (including Plan 65 members) resulting in a projected allocation of \$22,417. These expenses are allocated consistent with the overall work performed within the department.
- **Human Resources** – Outside professional services are used for a variety of activities including compensation benchmarking, pension valuation, employee training and support of Human Resource systems. The allocation is estimated to be \$14,677. The primary method of allocation for Human Resources is Full-Time Equivalents (FTEs).
- **Internal Audit** – Corporate Audit's allocation to Plan 65 equates to \$12,467.
- The remaining \$40,699 is spread across numerous operating departments and is used to support the operations in these areas.

Legal

Projected costs for outside legal services are \$46,995 including \$20,513 for costs associated with the rate filing and related work. The budget also includes \$26,482 for Plan 65's share of corporate litigation and other legal services. The rate filing expenses are charged directly to Plan 65 and the remainder of the expenses is corporate in nature, and is allocated based on a total cost ratio.

Facilities & Occupancy

This expense category includes all costs related to the operation of the facilities occupied by BCBSRI employees. The \$192,825 allocation reflects 2.4% of the anticipated facilities costs for the corporation and is related to the departments whose activities allocate to Plan 65 as mentioned in the Salaries and Wages portion of this exhibit as well as the computer operations area.

Equipment

The allocation of equipment expenses are expected to be \$100,288 for Plan 65 in 2009.

Depreciation, property taxes, rental and maintenance associated with employee workstations and other computer equipment accounts for \$74,604 of the budget of which \$33,774 is related to a new data center established for business continuity purposes. The budget also includes \$25,684 for the purchase of equipment costing less than \$1,500 per item, by the departments listed in the Salaries and Wages section.

Software

Software charges are anticipated to be \$205,769 for Plan 65. The majority of this expense is associated with depreciation, property taxes, and maintenance agreements for Information Technology (IT) systems (\$130,445) and the Customer Relationship Management system (\$44,651).

2009 Plan 65 Budget Narrative

The IT systems include E-business (BCBSRI.com), HIPAA, IT Security, and license agreements used by the Data Center. The BCBSRI website is accessible by Plan 65 subscribers to review benefits, claims activity and wellness tips.

The Customer Relationship Management system is used by Customer Service staff to assist subscribers with questions from members and providers regarding benefit coverage, payment status and various other issues.

The remaining \$30,673 is for software packages, depreciation and property taxes associated with departments whose activities impact Plan 65 (e.g. Financial Systems, compliance software, etc.).

Insurance

The Insurance account includes the following coverages as a prudent risk strategy:

- Directors & Officers
- e- Business Liability
- Employment Practices Liability
- Errors & Omission
- Managed Care Liability

The Plan 65 allocation of these corporate expenses is anticipated to be \$37,123.

Travel

Travel expenses (\$31,086) are allocated to product lines based on the reasons and benefits derived from the travel. Employee travel that is beneficial to the overall performance of the employee is allocated to product lines based on the allocation of salaries and wages for the employees department. Most travel falls into this category and includes educational conferences, training seminars on new systems and/or processes, and Blue Cross Blue Shield Association events.

If the travel benefits a specific product line or market segment other than Plan 65 then the travel will be charged to that product/segment directly and there will be no charge to Plan 65.

Printing, Stationery and Office Supplies

The \$111,812 printing budget for Plan 65 includes materials such as welcome letters, applications, benefit summaries and Choices Magazine.

The allocation of Office Supplies to Plan 65 (\$7,031) is directly related to the activities of the departments mentioned in the salaries and wages narrative. This category of expense includes toner cartridges for laser printers, paper, pens, folders, etc.

2009 Plan 65 Budget Narrative

Postage

The \$184,360 expense reflects the allocation of postage paid to mail the following items to Plan 65 subscribers:

- enrollment kits,
- Rx discount cards,
- provider directories,
- premium billings, and
- claims correspondence.
- Choices Magazine

Telephone

Telephone expenses are expected to be \$67,982 in 2009 and include the following:

- line charges for Customer/Provider Service,
- data lines and web hosting fees for BCBSRI.com, and
- line charges necessary for all other employees to conduct business.

Advertising and Public Relations

Advertising is used to build brand awareness and understanding, sell products and services and provide important information to the community. BCBSRI uses a number of diverse media to communicate consistent messages regarding our competitive differentials, superior services and product offerings, and our brand position.

Plan 65 is charged directly for messages that pertain only to this product and is allocated a pro rata share of the costs of general advertising resulting in a total expense of \$52,945. No cost is allocated to Plan 65 for advertisements that relate specifically to any other products (e.g. Healthmate, Blue Cross Dental).

Corporate & Civic Dues

Corporate and Civic Dues add \$35,314 to the 2009 expense budget and are divided between two sub-categories: Dues and Contributions.

Plan 65 will be charged \$35,203 for Dues expense in 2009 with \$29,567 of this amount for corporate dues assessed by the Blue Cross Blue Shield Association. The Association calculates the dues each plan must pay based on the number of members that the plan has. Plan 65 is allocated its share of these expenses based on a percentage of revenue. The remaining \$5,636 is for corporate or professional dues which are allocated based on the departmental activities as mentioned in the salaries and wages section of this exhibit.

Charitable contributions represent the remaining \$111. BCBSRI provides contributions to various causes that are in alignment with our mission and these organizations are dedicated to improving the health and quality of life of all Rhode Island residents.

2009 Plan 65 Budget Narrative

Vendor Fees

Vendor Fees contribute \$2,442,654 to the 2009 expense budget and are divided among three sub-categories: Perot Systems Corporation, Business Continuity, and the Health & Wellness Institute.

Perot

Blue Cross has outsourced the following functions to Perot Systems Corporation (Perot) with a cost of \$2,357,052 to Plan 65:

- \$935,272 - Data Center Operations
- \$740,923 - Application Development and Maintenance.
- \$294,846 - Claims Processing including Claims Disbursements.
- \$234,380 - Membership Services.
- \$124,593 - Network & Telecommunication Services.
- \$27,038 - Desk Side Services.

Data Center Operations (\$935,272) – Provides services necessary for the operation, administration, management and support of all, mainframe, printing and mailing applications. This process includes, but is not limited to:

- performing master console functions, including automation, centralization and consolidation of console functions and use of automation tools,
- managing, maintaining, monitoring, and controlling scheduled and unscheduled on-line batch processing,
- completing BCBSRI-defined processing and backups in correct sequence and within the time periods designated by BCBSRI,
- perform load balancing and where applicable perform as much scheduled batch work with automated tools,
- monitoring, verifying, and making appropriate adjustments to support proper executions of applications,
- identifying job and schedule dependencies, creating and maintaining job information dependencies on the master scheduling database, and prioritizing/scheduling batch jobs,
- supporting, maintaining and coordinating all on-line print/imaging/insertion activities,
- preparing reports for distribution and distributing them,
- developing, maintaining, ordering and storing print/image/insertion output forms libraries, inventories, and supplies,
- coordinating with external print/image/insertion third party vendors, and coordinating ad hoc mailing requests in the same manner as mail insertion services.
- Assure that midrange servers are kept in working order, and that procedures are developed with reasonably adequate controls and audit trails.
- schedule, coordinate, and oversee all activities requiring the physical presence of third party vendors.

2009 Plan 65 Budget Narrative

- coordinate rollouts and upgrades of equipment and applications, including responsibility for coordinating any testing, scheduling and installation of such equipment or application.
- manage Direct Access Storage Devices (DASD) by monitoring and controlling storage performance, assigning and initializing DASD volumes, determining data set and volume placement, and setting and maintaining DASD resource efficiency/standards.
- provide performance monitoring, system performance tuning, and make recommendations based on system performance review.
- monitor system utilization and capacity and advise BCBSRI of the need for additional capacity.
- provide daily monitoring and support for all servers, including, but not limited to: loading operating system software, installing back-up software and maintaining backups, performing restoration of data upon request, providing systems level support to the Application Development and Maintenance (ADM) team, providing data storage management, implementing and adhering to change control procedures, and administering clustered servers on different hardware platforms.

The primary method of allocation for Data Center Operations is machine utilization and Server Utilization.

Applications Development & Maintenance (\$740,923) – Provide programming support for all systems applications used by Blue Cross & Blue Shield of Rhode Island. Plan 65 is charged directly for programming efforts that are specifically related to Plan 65 and the program is charged a pro rata share for generic applications (e.g. LRSP maintenance, Financial Systems, etc.). Due to the age of the LRSP system, significant work effort is required to maintain the system.

Claims Processing (\$294,846) – Perot is responsible for all aspects of Plan 65 Claims Administration including Claims Receipt and Imaging, Claims Entry, Suspense Relief, and Correspondence and Adjustment processing. The primary method of allocation is a direct charge to Plan 65.

Membership Services (\$234,380) – Perot is responsible for all Plan 65 Membership functions and is required to:

- mail notification to BCBSRI members reaching age 65 to inform them of the health insurance options available to them, add new Plan 65 members to our membership files and update any membership changes to existing members,
- issue ID cards and Welcome Kits to subscribers,
- develop and mail premium bills.

The primary method of allocation for Membership Services is member months.

2009 Plan 65 Budget Narrative

Network & Telecommunication Services (\$124,593)

- Manage the Wide Area Network (WAN) and Local Area Network (LAN) at BCBSRI sites.
- Perform the design, installation, termination, maintenance, and documentation of all intra-building copper and fiber optic cabling for Ethernet, FDDI, SONET, ATM and WAN environments.
- Install and maintain WAN connections and upgrades.
- Monitor WAN and leveraged LAN bandwidth, report on Internet access and usage, and maintain adequate Internet access bandwidth in accordance with business needs.
- Support all BCBSRI internal and external audits for regulatory or business function purposes.
- Perform all functions required in order to support telecommunication services of the BCBSRI user community (order, install, remove, upgrade, replace, manage, and maintain equipment and software).

The primary method of allocation for Network & Telecommunication Services is Full-Time Equivalents (FTEs).

Desk Side Services (\$27,038)

- Perform maintenance on desk side equipment and software as necessary.
- Order, build and deploy desk side equipment as requested by BCBSRI users.
- Provide break-fix field service to all BCBSRI equipment.
- Improve the efficiency and reliability of desk side equipment. This process shall include correction of all desk side equipment problems that require software and/or desk side maintenance, switching devices, and encryption/security devices.
- Recommend solutions and implement mutually agreed upon processes and procedures to optimize the overall infrastructure.
- Provide Help Desk services including: providing a single point of contact for reported problems, questions or requests. Provide first call problem resolution and route problems to the proper technical area.

The primary method of allocation for Desk Side Services is Full-Time Equivalents (FTEs).

Business Continuity (\$28,521)

Blue Cross has invested in enhancing existing disaster recovery capabilities and is developing a comprehensive, long-term Business Continuity program that mitigates risk of disruption of critical business areas in the event of a disaster. The primary method of allocation for Business Continuity is Total Cost Ratio.

2009 Plan 65 Budget Narrative

Health & Wellness (\$47,536)

Blue Cross has contracted with the Health & Wellness Institute to provide programs, such as Weight Watchers, smoking cessation, blood pressure and cholesterol screening, to Blue Cross members both in state and out of state. The primary method of allocation for Health & Wellness is membership. Members access these services through the Health & Wellness van and Senior Center visits.

Human Resources (\$9,545)

Payroll outsourcing fees paid to Ceridian allocating to Plan 65 based Full Time Equivalents

Other

Payments to Medicare carriers and intermediaries for electronic tapes that contain the Medicare claims processing information for Plan 65 subscribers accounts for \$387,300 of the budget. These tapes allow for more efficient processing of Plan 65 claims.

Employee education and other miscellaneous items account for the remaining \$34,156. These expenses are allocated to Plan 65 based on the department activities as noted in the salaries and wages narrative.

HIPAA

The Plan 65 share of the cost of complying with federally regulated guidelines for the privacy, security, and transaction code sets is estimated at \$12,324. The primary method of allocation for HIPAA is total cost ratio.

Change in Claims Handling

The estimated liability to process outstanding Plan 65 claims is expected to increase by \$32,000 in 2009. The expectation is the increasing claims trend will result in more claims outstanding at year-end.

Chargeback to HWI

BCBSRI provides administrative services to the Health & Wellness Institute (e.g. Human Resources, Finance). The reduction of \$40,109 reflects the allocated savings to Plan 65 for those areas providing the service.

Projects

The budget provides a placeholder of \$195,541 for work on mandated or high priority corporate projects many of which will benefit all product lines.

Blue Cross & Blue Shield of Rhode Island
Plan 65 - Comparison of CY09 Budget to CY08 Projected Actual by Natural Account

	CY2008 Projected	CY 2009 Budget	Increase (Decrease)	%
Salaries And Wages	\$1,406,805	\$1,466,523	\$59,718	4.2
Temporary Empl Serv	10,420	10,785	364.70	3.5
Fringe Benefits	580,052	629,984	49,932.21	8.6
Outside Services	292,963	306,843	13,880.09	4.7
Legal	44,746	46,995	2,248.87	5.0
Rent	180,019	192,825	12,805.68	7.1
Equipment	96,325	100,288	3,962.90	4.1
Software	197,387	205,769	8,381.53	4.2
Insurance	35,330	37,123	1,792.40	5.1
Travel	29,736	31,086	1,349.62	4.5
Printing/Office Supplies	114,559	118,842	4,282.92	3.7
Postage	178,980	184,360	5,379.90	3.0
Telephone	65,397	67,982	2,585.17	4.0
Advertising & Public Relations	50,392	52,945	2,552.86	5.1
Corporate & Civic Dues	33,658	35,314	1,656.80	4.9
Vendor Fees	2,440,916	2,442,654	1,738.18	0.1
Other	408,642	421,456	12,814.45	3.1
Subtotal	\$6,166,328	\$6,351,775	\$185,447	3.0
HIPAA Chargeback	11,966	12,324	358	3.0
Chg in Claims Handling Accr	74,085	32,000	(42,085)	
Projects	306,802	195,541	(111,261)	
Chargeback to HWI	(38,941)	(40,109)	(1,168)	
Total Expense	\$6,520,241	\$6,551,532	\$31,291	0.5

Budget Methodology

The 2009 budget were developed by multiplying 2008 projected actual by department with inflation factors. The 2009 Plan 65 budget was then adjusted for other known and anticipated changes that include:

- ♦ No change in enrollment for 2009 in comparison to 2008.
- ♦ Ratefiling costs will be similar to 2008.
- ♦ Lower Perot Fees due to renegotiation of the services contract.

Blue Cross & Blue Shield of Rhode Island
Plan 65 - Comparison of CY10 Budget to CY09 Budget by Natural Account

	CY2009 Budget	CY 2010 Budget	Increase (Decrease)	%
Salaries And Wages	\$1,466,523	\$1,528,907	\$62,383	4.3
Temporary Empl Serv	10,785	11,162	377	3.5
Fringe Benefits	629,984	684,714	54,729	8.7
Outside Services	306,843	318,137	11,294	3.7
Legal	46,995	49,356	2,361	5.0
Rent	192,825	202,466	9,641	5.0
Equipment	100,288	105,302	5,014	5.0
Software	205,769	216,057	10,288	5.0
Insurance	37,123	39,006	1,883	5.1
Travel	31,086	32,499	1,413	4.5
Printing/Office Supplies	118,842	123,296	4,454	3.7
Postage	184,360	189,901	5,542	3.0
Telephone	67,982	70,676	2,694	4.0
Advertising & Public Relations	52,945	54,533	1,588	3.0
Corporate & Civic Dues	35,314	37,053	1,739	4.9
Vendor Fees	2,442,654	2,564,722	122,068	5.0
Other	421,456	434,683	13,227	3.1
Subtotal	\$6,351,775	\$6,662,469	\$310,694	4.9
HIPAA Chargeback	12,324	12,694	370	3.0
Chg in Claims Handling Accr	32,000	32,960	960	
Projects	195,541	211,468	15,927	
Chargeback to HWI	(40,109)	(41,312)	(1,203)	
Total Expense	\$6,551,532	\$6,878,280	\$326,748	5.0

Budget Methodology

The 2010 budget were developed by multiplying 2009 Budget by department with inflation factors. The 2010 Plan 65 budget was then adjusted for other known and anticipated changes that include:

- ♦ No change in enrollment for 2010 in comparison to 2009.
- ♦ Ratefiling costs will be similar to 2009

SERFF Tracking Number: BCBS-125747080 State: Rhode Island
Filing Company: Blue Cross & Blue Shield of Rhode Island State Tracking Number:
Company Tracking Number: PL65NG02012009
TOI: MS051 Individual Medicare Supplement - Sub-TOI: MS051.003 Plan C
Standard Plans
Product Name: Plan 65 Non-Group Rate Filing Effective 2/1/2009
Project Name/Number: Plan 65 Non-Group Rate Filing Effective 2/1/2009/PL65NG02012009

Supporting Document Schedules

Review Status:

Bypassed -Name: Actuarial Certification - Life & A&H 07/24/2008
Bypass Reason: Filing letter, trend supplement, actuarial summary, and supporting documentation supplied elsewhere.
Comments:

Review Status:

Bypassed -Name: Actuarial Memorandum - A&H Rate 07/24/2008
Revision Filing
Bypass Reason: Filing letter, trend supplement, actuarial summary, and supporting documentation supplied elsewhere.
Comments:

Review Status:

Bypassed -Name: A&H Experience 07/24/2008
Bypass Reason: Filing letter, trend supplement, actuarial summary, and supporting documentation supplied elsewhere.
Comments:

Review Status:

Bypassed -Name: Exhibits - A&H 07/24/2008
Bypass Reason: Filing letter, trend supplement, actuarial summary, and supporting documentation supplied elsewhere.
Comments:

Review Status:

Bypassed -Name: Premium Rate Sheets - Life & A&H 07/24/2008
Bypass Reason: Filing letter, trend supplement, actuarial summary, and supporting documentation supplied elsewhere.
Comments: